

Strikes Spread to Ukraine

Kremlin Warns Miners of Threat To the Economy

By Francis X. Clines

MOSCOW — The strike that has shut down the Siberian coal fields was reported spreading to the Ukraine on Monday as the Kremlin sent a Politburo delegation to appeal directly to workers to end their shutdown before the economy is harmed.

Soviet news reports said that workers had shut down eight mines in the richest Soviet coal field, in the Ukraine's Donbass region.

All the mines of the Kuznetsk Basin, the second richest Soviet coal field, remained shut as well in Western Siberia as the strike went into a second week of the worst labor unrest since Mikhail S. Gorbachev came to power in 1985.

An estimated 110,000 workers were reported out in the Siberian mines as the delegation from the ruling Politburo arrived, with the Kremlin emphasizing that it had no wish to use force to end the dispute.

Prime Minister Nikolai I. Ryzhkov stressed this point in addressing the legislature, the Supreme Soviet, in Moscow. Speaking for President Gorbachev, he underlined the concern that the national economy would soon begin feeling the harm of the walkout.

The strike erupted a week ago as workers in the Kuznetsk Basin refused to go into the pits and presented the government with dozens of grievances and demands for better living conditions and greater power to manage their own industrial affairs.

No number of strikers was reported initially from the Ukrainian fields, but any widespread walkout there would greatly compound the economic effects of the protest and the challenge to the Gorbachev government.

For the moment, Mr. Gorbachev appeared to be working to avoid a sense of confrontation. A delegation of ministers began offering concessions to the miners last week and on Monday higher-ranking officials, led by Nikolai N. Slyuzkov of the Politburo, arrived in Siberia and began meeting with the strikers.

"The strike brings economic harm," said Mr. Slyuzkov, who is secretary for the economy, to a crowd of strikers in Prokopyevsk. "And not only to you, for coal is the food of all industry."

Some of the Donbass mines had been shut earlier this year in a wildcat walkout that proved brief in duration. Workers resuming the stoppage at eight mines in the city of Makeyevka complained about food shortages, 10-year waiting lists for apartments, dangerous and outdated mine technology and insufficient pay and vacation time.

In the Siberian field, the issues have involved similar economic grievances, but also the far more basic question of management of the coal industry. A strike committee elected from the workers there has been emphasizing a demand for autonomy and reinvestment of coal profits in the local region.

No ranking government official thus far has been reported addressing this issue, although some reports last week, when the strike first began, said that promises of greater local involvement had been made by Moscow officials.

As the government began warning about potential harm to the economy, strikers in the Siberian fields, shown Monday evening on Soviet television, responded by asserting that earlier this year a massive, wasteful coal fire had burned for days in the area with no sign of alarm from Moscow about damage to the economy.

The strikers' demands have covered the full array of current popular demands.

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U.S. Weighs Renewing Its Romance With Moon

By William J. Broad

New York Times Service

NEW YORK — The moon beckons again, at least to a growing band of lunar enthusiasts. Twenty years after humans first traveled 250,000 miles to set foot on the moon, the U.S. space agency is studying a new round of lunar exploration.

The Apollo landings were dismissed by some experts as spectacular dead-end ventures. Now, the National Aeronautics and Space Administration is weighing plans to go back to the moon permanently, with astronauts traveling back and forth regularly.

One proposal envisions setting up an astronomical observatory on the far side of the moon. Another option would have astronauts learn to live off the lunar land by extracting oxygen from the soil and building outposts and colonies out of the dust and gravel.

Most ambitious of all is a plan to use the moon as a base from which to launch the astronauts on missions to Mars and more distant planets.

President George Bush said Sunday that he was weighing various ideas to put in a space-policy speech, scheduled to be delivered Thursday.

While the lunar enthusiasts are pressing Mr. Bush to announce a return to the moon, another group has argued that the nation should surpass old accomplishments by setting its sights on the exploration of Mars.

Many experts have suggested that the United States could explore Mars with the Soviet Union.

A return to the moon might cost \$100 billion over two decades. Although skeptics say down-to-earth financial woes will probably cancel any plans for such an expedition, the enthusiasts say that the curiosity of mankind could overcome earthly restraints.

"We are a nation of explorers," said Neil A. Armstrong, who 20 years ago became the first man on the moon. "It's a fundamental thing to want to go, to touch, to see, to smell, to learn, and that I think will continue in the future."

Edwin (Buzz) Aldrin Jr., the second man on the moon, offered a more specific vision, foreseeing energy farms that would beam power to Earth and factories that would fashion rocket fuel out of lunar materials.

"The entrepreneurs and gamblers will do it," he said, adding that such endeavors "more than justify a return to the moon."

Rather than trusting native curiosity or private enterprise, NASA is hoping that a presidential directive will crystallize its future.

On the chance that the moon is ultimately the chosen goal, the agency is spending \$35 million this fiscal year to prepare for a return to the only natural satellite of the Earth, perhaps as soon as the turn of the century.

"Ultimately, we're going to go back," said Franklin D. Martin, head of the NASA Office of Exploration. "It's just a question of when."

Some of the lunar enthusiasts criticize the NASA vision of a permanent return, saying that the costs are too high and that a better alternative would be sporadic lunar

missions that would concentrate on science rather than futuristic habitats for astronauts.

Bruce Murray, a former director of the NASA Jet Propulsion Laboratory said that a permanent base would be a very expensive Works Progress Administration project "in the sky." The Works Progress Administration built public works and created thousands of jobs during the Depression.

"People talk about mining the moon. But it's made of lava," he said, adding, "The only way to get anything out of it is to provide a tremendous amount of heat."

And the critics say that moon money would better be spent on Earth.

"NASA assumes a basic human need to expand beyond the planet," said Larry D. Spence, a professor in the science, technology and society program at Pennsylvania State University. "But that is more bureaucratic ambition than an expression of any inherent human drive or interest."

Agitation for a return to the moon began in earnest in 1986, when a congressionally mandated panel, the National Commission on Space, called for a lunar base as the first step in the human exploration of the inner solar system.

And a 1987 NASA study said that the United States should avoid a race to Mars and, instead, establish an outpost on the moon as part of a measured exploration of the solar system.

Today, NASA is forging technologies that would allow

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Stealth Bomber Is Finally Airborne

The Associated Press

EDWARDS AIR FORCE BASE, California — The \$300 million B-2 stealth bomber flew on "Sunday for the first time, soaring above the Southern California desert in a two-hour test flight."

But despite its apparently successful flight, the advanced-technology bomber, which is 18 months behind schedule, still faces challenges from a skeptical Congress.

The B-2 sped down a 3,360-meter (11,000-foot) runway at the secretive Air Force Plant 42 at Palmdale and lifted off, escorted by two F-16 fighter jets, into a still and cloudless desert sky.

It landed two hours later after performing a series of test maneuvers over the Mojave Desert. The plane touched down perfectly on the center line of a runway at Edwards Air Force Base.

The bat-winged bomber, which is 69 feet long and has a 172-foot

wingspan, rolled to a stop, idled for several minutes and taxied into a hangar.

"If we appear a little giggly about all of this, it was a lot of fun," said Colonel Richard Couch, one of two pilots on the test flight.

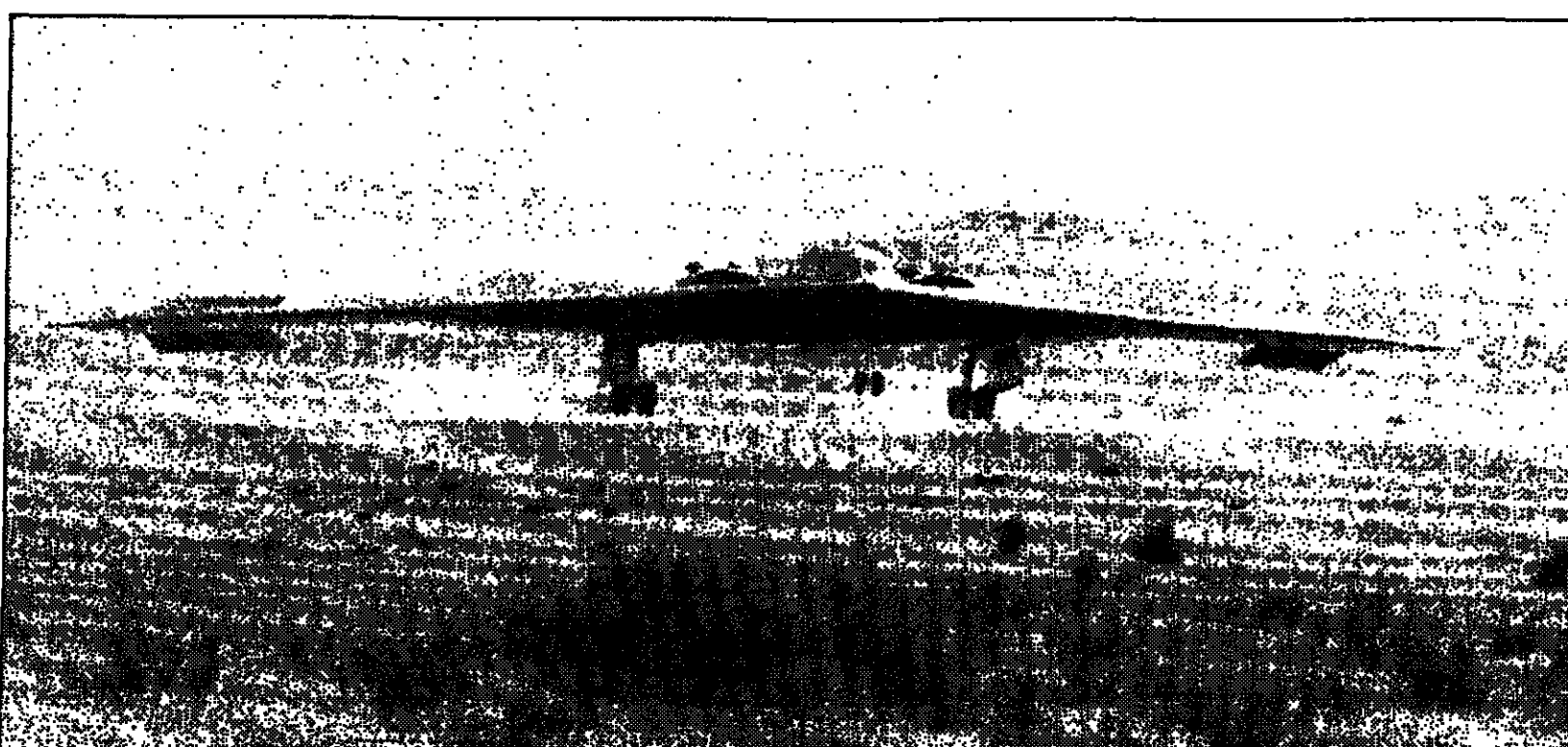
"We were very pleased with the performance of the aircraft," said Bruce J. Hinds, chief test pilot for Northrop Corp.'s B-2 division, who flew the plane with Colonel Couch.

With its \$300 million price tag, the B-2 is the most expensive warplane in history. The air force wants 132 of the jets.

Some members of Congress have threatened to withhold further funding until the plane proves itself in the air.

Representative G.V. Montgomery, Democrat of Mississippi, a member of the House Armed Services Committee, said in Washington that the program was "still in

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The B-2 bomber touching down Monday following its first flight. The advanced-technology jet landed safely after two hours of maneuvers over the Mojave Desert.

Bush Is Gaining Consensus on East Bloc

By Jim Hoagland

Washington Post Service

PARIS — President George Bush's 10-day trip across Europe has demonstrated his determination to build an allied consensus for accommodating the wave of change sweeping Eastern Europe and the Soviet Union before he holds a summit meeting with the Soviet leader, Mikhail S. Gorbachev.

Mr. Bush has used the trip to unveil an American concept for Europe's future intended to rival Mr. Gorbachev's vision of a "common European home."

Moreover, Mr. Bush made it clear to U.S. allies abroad that he will continue to move slowly on a summit meeting despite Mr. Gorbachev's open impatience for direct talks with Mr. Bush.

Speaking Monday in Leiden, the Netherlands, Mr. Bush outlined his vision of "a new world in Europe, whole and free, a new world

that is now in our reach." This will be realized, he added, when "the Europe behind the wall will join its neighbors to the West, prosperous and free."

Mr. Bush returns to Washington on Tuesday after a 25-hour stopover in the Netherlands. He

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earlier visited Poland, Hungary and France on his second upbeat trip to Europe in two months.

The Leiden speech was intended to emphasize the concept of a "Europe whole and free," to which Mr. Bush referred several times Sunday at a press conference in Paris at the end of the seven-nation economic summit conference.

In the private sessions, Mr. Bush put new emphasis on the role that he expects Western Europe to play in the future of East-West relations, sources at the meeting reported.

This came as a pleasant surprise to European leaders accustomed to a heavier U.S. insistence on playing the leadership role in allied dealings with the Soviet Union.

Mr. Bush used this meeting, which climaxed a month of intense superpower diplomacy in Europe, to show that he has settled on a style and a theme for dealing with the most important European allies and, through them, with Mr. Gorbachev.

For Mr. Bush, West-West relations have become the key to progress on East-West matters. Now that Western nations are no longer arguing over nuclear strategy and Eastern Europe, Mr. Bush can proceed with planning for a summit meeting with Mr. Gorbachev, U.S. officials said.

As he did during the North Atlantic Treaty Organization summit talks in Brussels at the

See TRIP, Page 2

Prayers for Last Czar, As Soviet Aides Fume

By David Remnick

Washington Post Service

MOSCOW — Early Monday morning in a remote corner of the Donkoi Cemetery here, 200 Russian Orthodox believers, some priests and a few monarchists carrying the imperial Russian flag, prayed for the soul of the last Russian czar, Nicholas II.

With a clutch of uniformed policemen and infuriated Communist Party officials standing at the fringes, the priests demanded that the state find the remains of the czar's family and give them a Christian burial at the Peter-Paul Fortress in Leningrad, the burial site for czars since Peter the Great.

Nicholas II, who was held under house arrest after his forced abdication in 1917, was shot in 1918, along with his wife, four daughters and son and servants in the basement of a house in the Urals by Bolshevik guards. The bodies were furtively burned and the remains scattered. Recently, a writer claims to have found some of the bones.

"Seven decades ago, in the town of Ekaterinburg, the czar and his wife and children were murdered without a trial, without justice," a priest, Father Vadim, said to the crowd. "They were spat upon, slandered and shot."

People held thin yellow candles and stepped up to kiss a pair of wooden icons: one of Jesus, the other of Nicholas II, a gilded halo around his head. The air was thick with incense, and the priests sprinkled holy water over the crowd.

Nearly, five officials from the October District Communist Party Committee kept watch. They had declared the gathering "unsanctioned by the state" and sought to break it up.

"Citizen comrades, disperse this meeting immediately!" one hefty official barked into his bullhorn. "You have no right to be here."

"God have mercy," the crowd chanted in a church refrain, ignoring the order of the state.

"This meeting has not been sanctioned by the local party officials," came the voice. "All leaders of this meeting will be held responsible for their actions."

One woman turned to the officials and said, "Shut your mouths! We are praying. The state doesn't have anything to do with sanctioning prayers. Now go away!"

In Soviet history books, the subject of the Romanov family has

See CZAR, Page 2

25 Afghan Rebel Leaders Die in Rivals' Ambush

By Steve Coll

Washington Post Service

ISLAMABAD, Pakistan — At least 25 Afghan rebel military commanders, including more than half a dozen senior officers, were ambushed and killed last week by a rival mujahidin group while returning from a strategy meeting in northern Afghanistan, mujahidin and Western diplomats said Monday.

The incident, one of the worst reported outbreaks of internecine violence among the U.S.-backed Muslim rebels in recent months, occurred in northern Afghanistan.

After the four-day meeting, led by a military commander, Ahmad Shah Massoud, two groups of Mr. Massoud's officers attempted to return to the south by passing through a valley that was controlled by a rival commander. Last Tuesday, a group of about five commanders was ambushed and killed, and the next day at least 20 more officers were captured and executed, according to reports reaching Pakistan.

The executed commanders were affiliated with the Jamiat-i Islami of Afghanistan led by Burhanuddin Rabbani, one of the seven major leaders of the Afghan rebels.

The ambush was said to have been ordered by Sayad Jamal, a northern commander affiliated with Gulbuddin Hekmatyar, the leader of the radically fundamentalist mujahidin party called the Hezb-i-Islami.

A senior Western diplomat said the incident would exacerbate the difficulties faced by the rebels this summer because of a continuing military stalemate and the efforts of the Afghan leader, Major General Najib, to rally domestic and international support for his regime.

A U.S. Embassy spokeswoman said the U.S. government "regrets the incident and hopes the resistance leaders will set aside their internal differences."

Confirmation of the attack reached U.S. officials on Sunday, when Peter Thomson, the recently appointed U.S. ambassador to the Afghan rebels, met with two of Mr. Massoud's brothers in Peshawar, Pakistan, where many of the mujahidin are based.

Rebel forces associated with Mr. Hekmatyar have been linked with a number of clashes with other mujahidin.

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U.S. Movies: Now a Protected Species

By Aljean Harmetz

New York Times Service

HOLLYWOOD — American movies have been called many things. Now, each year 25 of them will be called official U.S. treasures. Viewers will be warned when any of those classic films have been significantly altered, such as by computerized coloring or by deletions for showing on television.

Under the National Film Preservation Act approved by Congress last year, representatives from 13 movie organizations are to meet Wednesday at the University of California in Los Angeles to try to decide which 25 movies will be the first to be taken under protection.

In preliminary balloting, 57 movies were nominated by at least two of the 13 members of the National Film Preservation Board.

The leader, a surprise, was the 1939 movie based on John Steinbeck's novel "The Grapes of Wrath." It had eight votes.

The National Film Preservation Act of 1988 has a loud roar but no teeth. Angered by the coloring of classic black-and-white films

and the routine curbing of scenes in order to make movies fit a television time slot, the Directors Guild of America led the fight for a National Film Registry.

Under the act, which was co-written by Representative Robert J. Menendez, Democrat of New York, and Sidney R. Yates, Democrat of Illinois, the library of Congress is to protect up to 25 movies a year.

Although the owners of movie copyrights can still allow their films to be cut and colored, the movies must be conspicuously labeled as colored or altered "without the participation of the principal director, screenwriter and other creators of the original film."

George Kirgo, who represents the Writers Guild on the preservation board, is skeptical. "As long as there is an audience for a colored film," he said, "they'll keep on coloring them."

Roddy McDowall, who represents the Screen Actors Guild, is more optimistic. "Like labeling on food, this will create a social awareness," he said. "It does begin to

put something in the air that says this product is different."

Mr. McDowall, who is well known as a film collector and preservationist, said he "giggled" as he looked down a list of 107 movies nominated by a board member.

"It's all in the eye of the beholder and the eye of affection," he said.

Picking 25 films will be delicate. "I hope it's not just going to be big Hollywood blockbusters," said David Kehr, who represents the National Society of Film Critics.

"It was dismaying that the list smacked so much of official culture. It would be a shame if this became a popularity contest, which it seems in danger of becoming. There should be B films, silent films, and I hope we can get a western in."

Mr. Kehr, a critic for The Chicago Tribune, is backing John Ford's epic western "The Searchers" and Edgar G. Ulmer's 1945 expressionistic movie "Detour."

A bleak crime drama, "Detour" stars Tom Neal as a hitchhiker enveloped by forces beyond his power to fight.



And the Winner Is...

The Grapes of Wrath (with Henry Fonda in the role of Tom Joad) got 8 votes, the highest number in the preliminary balloting. Other films in the selection and their votes included:

- 7 Votes: Casablanca, It's a Wonderful Life.
- 6 Votes: The Best Years of Our Lives, Citizen Kane, On the Waterfront.
- 5 Votes: Gone With the Wind, High Noon, Mr. Smith Goes to Washington, The Searchers, Snow White and the Seven Dwarfs.
- 4 Votes: The Apartment, Doctor Strangelove, The Godfather, His Girl Friday, The Maltese Falcon, Rebel Without a Cause, Sunset Boulevard, To Kill a Mockingbird, West Side Story, The Wizard of Oz, Nannook of the North.
- 3 Votes: The Apartment, Doctor Strangelove, The Godfather, His Girl Friday, The Maltese Falcon, Rebel Without a Cause, Sunset Boulevard, To Kill a Mockingbird, West Side Story, The Wizard of Oz, Nannook of the North.
- 2 Votes: The Apartment, Doctor Strangelove, The Godfather, His Girl Friday, The Maltese Falcon, Rebel Without a Cause, Sunset Boulevard, To Kill a Mockingbird, West Side Story, The Wizard of Oz, Nannook of the North.
- 1 Vote: The Apartment, Doctor Strangelove, The Godfather, His Girl Friday, The Maltese Falcon, Rebel Without a Cause, Sunset Boulevard, To Kill a Mockingbird, West Side Story, The Wizard of Oz, Nannook of the North.

Klosk

U.S. Offers Pay In Jet Downing

WASHINGTON (Reuters) — The United States said Monday that it had offered \$100,000 to \$250,000 in compensation for each of the 290 passengers and crew killed when the U.S. warship Vincennes shot down an Iranian jetliner in the Gulf last year.

A State Department spokesman said that he expected five of the governments whose nationals were killed to accept the offer but that payments to relatives of 250 Iranian victims would be delayed until an appropriate intermediary was found to distribute the money.



Nicolae Ceausescu, the Romanian leader, who is imposing a Stalinist vision on his country. Page 6.

General News

AIDS is creating a generation of orphans, thousands of children not infected but who are losing parents. Page 3.

Business/Finance

Chase Manhattan announced a 30 percent earnings drop for the second quarter. Page 13.

Crossword Page 6.

Dow Jones		The Dollar	
Down 1.33		In New York	
		DM	1.9035
		Yen	161.42
		FF	6.4565

Vatican and Poland Restore Relations

By Clyde Haberman

New York Times Service

ROME — The Vatican and Poland crowned years of negotiations Monday with the re-establishment of full diplomatic relations, the first such ties between the Holy See and a Warsaw Pact country.

The announcement after a 44-year rupture set a precedent that, in the view of some Roman Catholic Church officials, could lead to appreciably closer contacts between the Vatican and other Communist countries in Eastern Europe.

Hungary is considered likely to be next. Discussions have been long under way over a proposed visit there by Pope John Paul II, which would be his first to East Europe outside his native Poland.

In addition, the Vatican has shown an interest in gradually improving relations with the Soviet Union, and the Pope has said that he would be willing to meet with the Soviet leader, Mikhail S. Gorbachev, when he makes a scheduled trip to Rome later this year.

Until Monday, the sole East European nation with Vatican ties was Yugoslavia, which is non-aligned. Cuba, with a Communist government, also maintains normal relations with the Holy See.

Despite the historic nature of the events Monday, they were noted in a low-keyed manner. The Vatican statement was a model of brevity, two dry paragraphs noting the "sole tradition" of relations that go back many centuries between the church and the predominantly Catholic Polish nation.

A simultaneous announcement was made in Warsaw, where a Foreign Ministry spokesman described it as "a very important fact that crowns a long process of normalization of relations between the state and the church."

Polish bishops also issued a statement in which they welcomed the restored links with "great joy," saying that "a proper development of relations will influence the realization of citizens' rights in Poland and open a new field of church activities with benefits for the whole society." Normal relations, the bishops added, would also in-

crease "the prestige of the Polish state in the international arena."

John Paul, who has returned to his homeland three times since ascending to the papacy in 1978, was on vacation in the northwestern mountains of Italy and issued no statement of his own. But his position on this issue is clear. On his last trip to Poland, in 1987, he noted that the Holy See maintained diplomatic relations with 116 nations, and therefore the absence of formal ties with a Catholic country like Poland was "something rather abnormal."

Poland's Communist rulers broke off diplomatic relations with the Vatican after they took power in 1945.

In the decades that followed the war, relations were often bitter, but they began to improve 20 years ago, after a series of high-level visits. Both sides agreed in 1974 to establish permanent contacts, and negotiations over resuming relations have proceeded ever since, although not always smoothly.

John Paul's strong support of the Solidarity trade union irritated the Warsaw government, a point underlined last spring when the Solidarity leader, Lech Walesa, came to Rome and said that his movement's roots were "inspired by the social doctrine of the church."

At the same time, Vatican officials were suspicious of overtures made by the Polish authorities in recent years, and they expressed concern that the real goal in Warsaw was a breakthrough that would be popular and perhaps reduce internal dissent. The pope insisted in Warsaw two years ago that the Holy See was prepared to establish relations if local bishops were willing to press the struggle for political freedom and if the government did not interfere.

According to a Vatican official familiar with Polish affairs, the Polish government's recognition of Solidarity this year, coupled with the elections won by the labor union's candidates last month, removed many doubts about Poland's direction.

Jaruzelski Acting Like A Candidate

By John Tagliabue

New York Times Service

WARSAW — General Wojciech Jaruzelski appears to have reconsidered his decision against running for the powerful new office of president of Poland.

He subjected himself to hours of grueling questioning Monday by Solidarity members of the National Assembly, which is expected to elect a new president Wednesday.

In questioning that more closely resembled a U.S. congressional hearing than anything seen thus far in Communist-ruled Poland, the general defended his role in declaring martial-law in 1981.

He also sought to justify Poland's action in 1968 in joining other Warsaw Pact nations in the invasion of Czechoslovakia, saying Warsaw's decision was its own.

He pledged to press his program of economic and political changes. The question-and-answer hour, which General Jaruzelski attended, flanked by the interior minister, General Czeslaw Kiszczak, and the Communist Party's leader in parliament, Marian Orzechowski, appeared to be a measure of his ability to restore party discipline.

Discipline was left in disarray after Solidarity's crushing success in last month's elections.

The questioning came only days after the Solidarity leader, Lech Walesa, declared publicly that he would support General Jaruzelski, or any other candidate put forth by the Communists.

Still, it appeared increasingly unlikely after the questioning on Monday that any Solidarity deputies would vote in his favor. In that case, the general would have to rely on the 299 members of parliament elected on behalf of the Communist-led coalition. Its members are the Communists, the Peasant and Democratic parties.

But in one of those curious moves that, increasingly, straddle Poland's ideological divide, Solidarity gave the general an instrument for enforcing coalition discipline when it agreed in principle to a vote by show of hands.

This means the deputies will be required to identify themselves by name. Communists fear that some coalition members would defect in a secret ballot.



President George Bush and Queen Beatrix of the Netherlands inspecting an honor guard Monday.

Bush Visits Dutch Landmark

By David S. Broder

Washington Post Service

LEIDEN, the Netherlands — President George Bush repaid a debt of almost four centuries on Monday when he came to the home of the Pilgrims and saluted the Dutch people for a "friendship older than the American Constitution."

The first U.S. president to visit this staunch ally and major trading partner, Mr. Bush was entertained by Queen Beatrix and Prime Minister Ruud Lubbers, whose support of U.S. policies in the North Atlantic Treaty Organization has made him a favorite of the last two U.S. administrations.

On the final full day of his second European tour, Mr. Bush visited St. Peter's Church, where the bones of John Robinson, the Pilgrim pastor, are interred. The pastor's flock, refusing to join the Church of England, found refuge in Leiden in 1609. In 1620, 46 men, women and children from Leiden, reinforced by other Puritans from England, sailed across the Atlantic on the Mayflower to found the Plymouth Colony in Massachusetts.

The mayor of Leiden, C.H. Gooik, gave Mr. Bush the medal of the city, saying that 379 years ago, "the American dream — and the American reality — began right here."

After decades of watching one U.S. president after another fly past en route to London, Paris, Brussels or Bonn, the Dutch provided a warm welcome to the president and the first lady.

Queen Beatrix greeted the Bushes after their short flight from Paris, site of the economic summit conference of leading industrial nations, and then took them to Noordeinde Palace for tea.

Mr. Bush met Mr. Lubbers, whose government broke up last May over an environmental issue. He is leading a caretaker coalition until elections are held in September.

The streets leading to St. Peter's Church were lined with schoolchildren and townspeople. A nearby windmill was festooned with flags of both countries. Reflecting the political activism of the left, occasional signs protested "nuclear terrorism" and called for a "nuclear-free world."

Mr. Bush was to be the guest of the queen at a state dinner in the palace Monday night. The Bushes were scheduled to return to Washington on Tuesday.

Eventually they agreed on a text that acknowledged receipt of the application and the reference to neutrality, which would have to be studied.

The community's drive to abolish all internal barriers and become a giant single market by the end of 1992 has awakened the interest in membership of many European states.

Seventy percent of Austria's trade is now with EC countries. In 1988, its exports to the community were worth \$20 billion, compared with imports of almost \$27 billion.

Mr. Mock said Austria probably would be a net contributor to EC coffers.

For the Austrian government, membership in the community and neutrality are compatible, he said. Belgium's stand meant ministers had to argue for hours over the text of a formal letter of response to Vienna, demonstrating the magnitude of the issues raised about the future size, structure and direction of the EC.

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Austria Asks To Join EC, Setting Off A Dispute

Reuters

BRUSSELS — Austria formally applied to join the European Community on Monday, causing disarray in EC ranks over the implications for European integration.

Belgium, which sees Austrian membership as a threat to its long-term goal of EC political union, prevented ministers from starting the normal procedure for examining the request.

"We have nothing against Austria but we are European federalists," Foreign Minister Mark Eyskens said. "Belgium wants a period of reflection, perhaps until October."

He said Austrian membership could mean a redefinition of East-West relations and lead to changes in the frontiers agreed on at Yalta at the end of World War II.

Foreign Minister Alois Mock of Austria presented the letter of application to Roland Dumas of France, just before Mr. Dumas opened a meeting of the 12 EC foreign ministers.

The letter referred specifically to a need to preserve the permanent neutrality cited in Austria's constitution, but Mr. Mock said he saw no problems in the reference.

"For the Austrian government, membership in the community and neutrality are compatible," he said. Belgium's stand meant ministers had to argue for hours over the text of a formal letter of response to Vienna, demonstrating the magnitude of the issues raised about the future size, structure and direction of the EC.

Eventually they agreed on a text that acknowledged receipt of the application and the reference to neutrality, which would have to be studied.

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Nesuhi Ertegun Dies, Jazz Records Producer

By Susan Heller Anderson

New York Times Service

NEW YORK — Nesuhi Ertegun, 71, who helped make Atlantic Records an important label for rhythm and blues and jazz, died Saturday from complications following cancer surgery at the Mount Sinai Medical Center here.

He lived in New York City and Katonah, New York, and in Beirut, France.

Mr. Ertegun produced the first successful records of many of America's jazz musicians, including John Coltrane, Charles Mingus, Ornette Coleman and the Modern Jazz Quartet.

He also signed Roberta Flack to Atlantic Records, where he was a partner with his brother, Ahmet, who founded the company in 1947.

Four years after Warner Communications Inc. acquired Atlantic in 1967, Mr. Ertegun created a Warner subsidiary, WEA International, a network of record companies with sales of more than \$1 billion, according to Warner's chairman, Steven J. Ross.

"He attracted the top people because he cared so much about music and musicians," Mr. Ross said.

In Atlantic's early days, Mr. Ertegun produced hit albums by Ray Charles and Bobby Darin. In the 1950s, he introduced a wider audience to the rhythm and blues of The Drifters and LaVern Baker.

Teiichi Suzuki, 100, Planner Of Japan's War Economy

TOKYO (AP) — Teiichi Suzuki, 100, a former general who helped plan Japan's economy during World War II and later was impris-

oned as a war criminal, died Saturday in Chiba of heart failure.

He was the last surviving member of a group of leaders convicted of war crimes. He was the primary planner of Japan's wartime economy, serving as state minister of the Planning Board from 1941 to 1943.

He was given a life sentence by the International Military Tribunal for the Far East in 1948. Released on parole from Sugamo Prison in Tokyo in 1955, he was given a full pardon in 1958.

Nicolas Guillen, 87, Cuban Poet and Writer

MEXICO CITY (AP) — Nicolas Guillen, 87, the Cuban poet who introduced the rhythms of African and Latin music into verse and was one of Latin America's best known writers, died Sunday in Cuba after a long illness that resulted in the amputation last month of his left leg.

Mr. Guillen's work celebrated Cuba's multiracial and ethnic mix as well as the 1959 Communist revolution that brought Fidel Castro to power. For more than 25 years he was director of Cuba's Union of Writers and Artists.

Others deaths: Jacques Marsel, 63, who discovered the prehistoric paintings of the Lascaux cave in France with three young friends in 1940 and became the cave's guardian, Saturday in Bordeaux after a long illness.

John N. Dempsey, 74, a former governor of Connecticut who as a liberal Democrat helped foster the state's reputation in the 1960s as a leader in social and environmental laws, of lung cancer Sunday in Killing-

ton.

Thousands of civilians gathered outside the Palmdele plant to watch the flight.

"Great God," said Les Holland, a Northrup employee, as the similar-looking black jet passed overhead.

Colonel Douglas Kennett of the air force said, "It feels great. It feels just fantastic."

"A lot of work has gone into this: Millions of man hours, with people working seven days a week, 24 hours a day. We feel just great."

The bomber's maiden flight had been scheduled for Saturday, but a low fuel-pressure gauge reading aborted the flight.

WORLD BRIEFS

Soviets Say Smoke From Submarine Was From Diesel Engines, Not A Fire

OSLO (Combined Dispatches) — Norway accepted an explanation from the Soviet Union on Monday that there was no fire aboard a nuclear submarine that had trouble Sunday and surfaced, and later was observed emitting black smoke.

The Soviet defense minister, General Dmitri T. Yazov, said the "smoke" that appeared to come from the Alfa-class submarine was in fact the exhaust from diesel engines turned on when the nuclear reactor shut off automatically, the Soviet press agency Tass reported.

"We have to believe them on that," said a Norwegian Defense Ministry spokesman, Arild Inge. "Norway will take note of it."

Oslo officials complained that the Soviets should have reported the defect in the ship's nuclear power system that forced it to the surface in the Barents Sea in the third incident near Norway since April.

U.S. Urban Smog Expected To Endure

WASHINGTON (AP) — A plan for cleaning up the air, proposed by President George Bush, last month is unlikely to meet its goal of eliminating unhealthy levels of urban smog by the year 2000, the main author of a new pollution report to Congress said Monday.

The report by the Office of Technology Assessment, which advises Congress on scientific issues, said that even if all known methods of pollution control were used, many cities would remain above U.S. limits for smog-causing ozone by the end of the century. It said residents of the most polluted cities — Los Angeles, New York and Houston — might have to live with unhealthy levels of smog for another 20 years or more.

The study did not specifically analyze the Bush proposal, but Robert Friedman, the report's main author, said the administration's forecast was probably too rosy. "I hope we are wrong and they are right," he said, "but I fear that will not be the case."

Solzhenitsyn Wary on Soviet Changes

NEW YORK — Alexander I. Solzhenitsyn, the exiled Russian author in a rare interview, declined to comment on the changes taking place under Mikhail S. Gorbachev but described his homeland as "on the verge of death."

"I am a patriot," Mr. Solzhenitsyn, 70, was quoted as saying in Time magazine. "I love my motherland. I want my country, which is sick, which for 70 years has been destroyed, and is on the verge of death, I want it to come back to life."

The 1970 Nobel laureate in literature also noted that while he was now undergoing a rehabilitation in the Soviet Union — the Moscow journal Novy Mir will soon begin publishing excerpts from "The Gulag Archipelago" — a return home may still be dangerous for him. "The Soviet authorities have never yet rescinded the charge of treason that was lodged against me," he said.

Burma Seizes 3 in Oil Refinery Blast

RANGOON (AP) — Security forces have arrested three members of an opposition group for a bomb explosion July 7 at an oil refinery that killed three persons, the chief of military intelligence said Monday.

Authorities also said that two persons had been injured when a box inside a package exploded at the Syrian refinery, on the northern bank of the Rangoon River.

"Three National League for Democracy youths have admitted their responsibility for the blast at Syrian," the chief of intelligence, Brigadier General Khin Nyunt, said at a news conference. The National League for Democracy is the largest and most popular opposition group to emerge from a nationwide uprising for democracy that the army crushed last year.

Seoul Acts to Keep Marchers Out

SEOUL (AP) — South Korea has tightened immigration controls to prevent some 100 foreigners, including about 30 Americans, from taking part Thursday in an "International Grand Peace March for the Reunification of the Korean Peninsula." Authorities have said they would stop the march.

The police are checking hotels for some marchers already suspected to be in Korea. Seoul newspapers said immigration officials had identified 32 of the prospective marchers, including 21 from the Philippines, eight Australians, an Indian senator and professor and a Pakistani opposition party leader.

3d Explosion Is Reported in Mecca

PARIS (NYT) — A bomb exploded Monday near King Fahd's palace in Mecca, the third explosion in the holy city where nearly two million Muslims last week completed their yearly pilgrimage, the Saudi government said.

The Saudi Press Agency said no one had been hurt and little material damage had resulted from the explosion, which took place after 1 A.M. on a hill within sight of the palace.

Saudi Arabia has so far refrained from accusing any group or country of the bombings, saying it is conducting an inquiry that includes the examination of film taken from surveillance cameras.

TRAVEL UPDATE

BA Urges Centralized Air Control

LONDON (AP) — The chairman of British Airways, Lord King, called Monday for the earliest possible centralization of Europe's air traffic control systems, after a weekend of airport congestion caused by a French controllers' strike.

Flights from Britain to southern Europe currently must receive approval from as many as seven different air traffic control towers. This system is likely to grow more cumbersome, with the number of European flights expected to double by the year 2000.

British aviation authorities said the French strike had reduced the number of British flights over France on Sunday from the normal 54 an hour to six an hour, stranding thousands of travelers for up to 13 hours.

Strike Brings London Buses to a Halt

LONDON (AP) — Scores of London buses were off the roads Monday as another strike by maintenance engineers prevented them from leaving their depots, and the capital was preparing for more chaos Tuesday in a fifth one-day strike halting the London subway and all trains.

Railway men, city hall employees and dock workers were also striking or engaged in sporadic walkouts, and fire fighters at London's Heathrow airport were discussing a strike that could close the world's busiest international airport next week.

Air India has closed its office in Suva, Fiji, because of declining traffic between India and the South Pacific republic.

The Spanish charter airline Hesperia filed Monday for temporary receivership, canceling flights and stranding thousands of tourists. (AP)

WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Amsterdam	57	41	W 15	Bangkok	82	66	W 10
Antwerp	56	40	W 15	Beijing	81	65	W 10
Athens	55	39	W 15	Bombay	80	64	W 10
Berlin	54	38	W 15	Calcutta	79	63	W 10
Birmingham	53	37	W 15	Chongqing	78	62	W 10
Bombay	52	36	W 15	Colombo	77	61	W 10
Brussels	51	35	W 15	Dacca	76	60	W 10
Buenos Aires	50	34	W 15	Delhi	75	59	W 10
Cardiff	49	33	W 15	Dhaka	74	58	W 10
Cairo	48	32	W 15	Guangzhou	73	57	W 10
Canton	47	31	W 15	Hankow	72	56	W 10
Cebu	46	30	W 15	Harbin	71	55	W 10
Chongqing	45	29	W 15	Hong Kong	70	54	W 10
Colon	44	28	W 15	Kobe	69	53	W 10
Copenhagen	43	27	W 15	Manila	68	52	W 10
Dacca	42	26	W 15	Medan	67	51	W 10
Dahlgren	41	25	W 15	Osaka	66	50	W 10
Darwin	40	24	W 15	Shanghai	65	49	W 10
Delhi	39	23	W 15	Singapore	64	48	W 10
Dhaka	38	22	W 15	Taipei	63	47	W 10
Dublin	37	21	W 15	Tokyo	62	46	W 10
Durham	36	20	W 15				
Edinburgh	35	19	W 15				
Frankfurt	34	18	W 15				
Geneva	33	17	W 15				
Hankow	32	16	W 15				
Hong Kong	31	15	W 15				
Harbin	30	14	W 15				
Helsinki	29	13	W 15				
Hong Kong	28	12	W 15				
Kobe	27	11	W 15				
London	26	10	W 15				
Los Angeles	25	9	W 15				
Madras	24	8	W 15				
Manila	23	7	W 15				
Medan	22	6	W 15				
Moscow	21	5	W 15				
Mumbai	20	4	W 15				
Nairobi	19	3	W 15				
Osaka	18	2	W 15				
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Huge By-Product of AIDS Is Emerging: A Generation of Thousands of Orphans

By Bruce Lambert
New York Times Service

NEW YORK — AIDS has begun to produce a generation of orphans: Thousands of children who are not infected but are losing their mothers and fathers to illness, disability and death from the growing epidemic.

In a schoolhouse in New York, for example, youngsters whose parents are dead or dying meet in weekly support groups to share experiences and feelings.

An 8-year-old boy came to one session clutching a photograph of his father in a coffin. This is show-and-tell in the age of AIDS.

"It's a delicate starting to happen," said Gretchen Buchholz, president of the Association to Benefit Children, a nonprofit agency.

"And unless we have the vision to plan for foster care, we'll have to open big orphanages."

In this generation in New York City alone, experts estimate that 50,000 to 100,000 children will lose at least one parent to AIDS or have already done so.

At the offices of AIDS Project Los Angeles, a counseling and service center, a play area has been set aside for children, said Stephen Bennett, chief executive of the organization.

But in New York and New Jersey, the problem of AIDS orphans is at its most drastic. These states have the highest rate of AIDS patients who are heterosexual; most of them are intravenous drug users or their sexual partners are.

Dr. Pauline Thomas of the New York City Health Department estimates that by 1995, 20,000 orphans will need either adoption or foster care.

These children are not routinely tested for infection by the AIDS virus. But the overwhelming majority, doctors said, do not have the virus either be-

cause they were born before their parents were infected, or, if the mother was

'The family and social disintegration is almost unimaginable.'

Chris Norwood,
National Women's
Health Network

infected, they did not contract the HIV virus in the womb or at birth.

A report by Chris Norwood, of the AIDS committee of the National Women's Health Network, an advocacy group, warned, "The family and social disintegration is almost unimaginable."

Contrary to some stereotypes of AIDS patients as solitary gay men and drug abusers, many are parents, some of whom are bisexual.

AIDS mostly strikes people in the age range of 25 to 45, prime years for child-bearing and raising — not normally a time for dying.

Many intravenous drug users are heterosexual men with children, experts said. Many are absentee fathers, but not all.

Among the growing number of women infected, either through sharing infected needles for drugs or through sex with an infected man, most are mothers.

If they are not taken in by other relatives, the healthy children left behind can be hard to place with foster families simply because of unwarranted fears about AIDS.

"We have an appealing 6-year-old girl, bright and nice, but she will be hard to place because of this stigma — no-

body will want to take her," said Diane Pines Shum, a social-work supervisor at Bronx-Lebanon Hospital.

"There are three boys, aged 2, 3 and 4 — each cuter than the other — who we would really like to keep together. But I don't know if we'll be able to."

In any family, the death of a parent is perhaps the worst psychological trauma a child can suffer, mental-health professionals say. But when the death results from AIDS, the trauma is compounded by stigma, secrecy, fear, anger, shame and guilt.

"The pain is almost incomprehensible," said Richard Gelb, a social worker describing a case at the Ackerman Institute for Family Therapy in Manhattan.

"The mother is infected, the father is infected, the baby is sick, and they will leave a 10-year-old boy who is going to be without any family."

"The room doesn't seem to be big

enough for all the emotions," he said.

And a host of troubling issues arises to confront these already wracked families: Whether to tell the children the fatal disease is AIDS; what to tell outside; older children who must become "mini-adults," caring for sick parents and younger siblings; and whether to test children who appear healthy but may be infected.

"In the aftermath of a parent's death, the children often find themselves caught in custody battles, shunned from one family member to another while trying to come to terms with their loss and the stigma of AIDS," said Dr. Ernest Drucker of the Albert Einstein College of Medicine in the Bronx.

Although the plight of sick AIDS babies has won much attention, only recently have some agencies recognized the far broader problem of AIDS orphans.

Because it is so difficult to provide

for children who suffer from AIDS. "When you talk about healthy siblings, nobody wants to hear you at all," said Dr. Mary G. Boland, director of AIDS programs at Children's Hospital in Newark.

As the epidemic claims more victims, hard-hit families cannot absorb all the orphans.

Perhaps the most vexing issue is how candid to be with the children.

Nancy Arcelay, a worker at the Brooklyn AIDS Task Force, said the danger in being too blunt about an ailing parent is that "the child thinks every day that mommy is going to be dead."

More common is what Ms. Ahto calls the conspiracy of silence, in which families refuse to acknowledge AIDS or even utter the word.

She said, "Kids often carry the burden of knowing the secret and being forbidden to talk about it."

Sandinistas See Signs of Thaw in U.S. Relations

Washington Post Service

MANAGUA — Assistant Secretary of State Bernard W. Aronson has recently had three exchanges with a high-ranking Sandinista official, according to a source in Nicaragua. A U.S. official described the encounters as insignificant but they have raised hopes among the Sandinistas that their relations with Washington may be improving.

In addition, according to a source here, Mr. Aronson met Friday in San José with President Oscar Arias Sánchez of Costa Rica, who subsequently relayed U.S. concerns about the U.S.-backed contra rebels to the Nicaraguan president, Daniel Ortega Saavedra.

Sandinista officials interpreted the information they got from Mr. Arias as an additional sign that the Bush administration was taking a slightly less hostile view of their leftist government than its predecessor, which sought to remove them from power.

In Washington, a State Department official confirmed that the encounters had occurred between Mr. Aronson and the Nicaraguan deputy foreign minister, Victor Hugo Tinoco, but downplayed them as "brief and not significant."

One exchange took place at a session in May of the Organization of American States in Washington. The two talked another time in Washington and again in Argentina at the presidential inauguration.



OPTIMISM IN PANAMA — Guillermo Endara, an opposition leader, waving optimistically after he called "frank" talks with the military Sunday and Monday on the political crisis. The talks are being held under Organization of American States auspices in Panama City.

KAL '83 Tragedy: 'Willful Misconduct?'

By Tracy Thompson
Washington Post Service

WASHINGTON — After six years, one declassified report by the Central Intelligence Agency, four books and a made-for-television movie, the legal complexities of the 1983 Soviet destruction of a Korean Air Lines Boeing 747 have come to this: a court case based on a simple question of "willful misconduct" and submitted to a jury of ordinary citizens.

For the first time, 12 Americans were getting a chance Monday, in the courtroom of U.S. District Judge Aubrey Robinson, to render their verdict on what happened the night of Sept. 1, 1983.

That was when the airliner carrying 269 passengers on KAL Flight 007 from New York to Seoul, via Anchorage, strayed hundreds of miles into Soviet airspace, was pursued by a fighter and then shot down over the Sea of Japan.

Despite the bizarre facts of the case, and the questions it still raises about U.S. intelligence-gathering in the North Pacific, the trial is focusing on a legal question so simple it would be familiar to any first-year law student: Was the crew guilty of deliberate misconduct?

If the jury answers "yes," the families of the passengers will no longer have to abide by the maximum of \$75,000 per case set on damages by the Warsaw Convention, a 1929 treaty that governs settlements in international aviation disasters.

If each of the roughly 100 families still pursuing claims against the airline, which has changed its name to Korean Air, got the maximum allowed, the airline could wind up paying out \$7.5 million. Aviation law experts agree that these days most plaintiffs can easily prove that much.

A 1988 study by the RAND Corp.'s Institute for Civil Justice put the average damage award at \$363,000 in airline death lawsuits filed between 1970 and 1984.

But before lawyers try to put a dollar value on the lives lost aboard Flight 007, the jury must decide which theory it believes.

Was it, as airline attorneys argue, simply a computer malfunction — the kind that has happened in any number of similar incidents, though with less tragic results? Or was it, as lawyers for the plaintiffs say, human error compounded by a desire to save face?

To buttress their theory, lawyers for the plaintiffs plan to present videotaped testimony of Park Yong Man, a retired Korean flight captain. On the night of Sept. 1, Mr. Park was piloting KAL Flight 15, which left Anchorage 14 minutes after Flight 007, also on its way to Seoul.

In a September 1987 deposition, Mr. Park testified that he noticed Flight 007 was off course shortly after takeoff and radioed the pilot, Chun Byung, a close friend, to ask him what was amiss.

Mr. Chun replied that his aircraft was experiencing strong headwinds, said a summary of Mr. Park's deposition on file in U.S. District Court. Mr. Park said that Mr. Chun's voice was "under stress or tension."

What was more, Mr. Park testified, his own plane was not encountering strong winds, even though it was in the same area.

Later, according to his deposition, Mr. Park came up with a theory: His friend had made a mistake in programming the Inertial Navigation System computer, but he did not return to Anchorage to correct his error because he feared a

reprimand and, as a respected senior pilot, losing face.

"His credibility was at stake," Mr. Park testified. He added that turning back to Anchorage would have required dumping fuel because commercial jets are not allowed to land with full tanks, and it was well-known by Korean pilots that the airline had disciplined some for making computer errors that required turning around.

Mr. Park thought the tension he heard in his friend's voice was there because Mr. Chun had realized his mistake and was trying to decide what to do. In the end, he "decided to chance" flying across the Pacific, Mr. Park said, without computer aid, hoping that his error would never come to light in the airline and that he would also escape Soviet detection.

That theory, of human error compounded by a Far East emphasis on the humiliation of publicly acknowledging error, is a key to the plaintiffs' case. Without it, they will have a difficult time proving that the crew was guilty of the kind of "reckless disregard" for human life that underpins the legal definition of "willful misconduct."

To the airline attorneys, Mr. Park is a disgruntled pilot who sued his employer when he was required to retire at the age of 55.

A Washington lawyer, Mark Dombroff, who for five years headed the Justice Department's aviation litigation section, also finds the theory implausible.

"The international airline pilot community, from whatever country, has certain commonalities," Mr. Dombroff said. "They are for all intents and purposes the CEO of a \$50 million corporation up there" — with, he added, the personal sense of responsibility that that entails.

The airline attorneys also argue that for the plaintiffs to prove their case, they must get around the problem of a "superceding cause." That means convincing the jury that Soviet belligerence was foreseeable and that Mr. Chun purposefully ventured into Soviet air-

space, knowing that the Soviet defense forces were likely to shoot.

In fact, the plaintiffs note, a Soviet fighter did shoot at a KAL airliner that flew in Soviet airspace in 1978, forcing it down on a frozen lake. Two persons were killed.

"KAL pilots knew from the 1978 attack how the Russians dealt with intruders," a plaintiff's memorandum said. "They shot them down."

But in August 1985, Judge Robinson ruled that there was a crucial difference between the 1978 incident and Flight 007: The airliner downed in 1978 had been ordered to land. It did not and was then forced down by gunfire.

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Likud Presses U.S. to Break Off Talks With PLO

By Jackson Diehl
Washington Post Service

JERUSALEM — Foreign Minister Moshe Arens and other Likud bloc officials have stepped up efforts to persuade the United States to break off its dialogue with the Palestine Liberation Organization, arguing that the contacts are helping to block a government initiative to hold elections in the occupied territories.

In a move that appears at odds with the strategy of Defense Minister Yitzhak Rabin of the Labor Party, Mr. Arens said Monday that it would be impossible to hold free elections in the West Bank and Gaza Strip while the U.S.-PLO talks continued because any Palestinian who sought to run independently of the PLO "would probably be dead in 24 hours."

At the same time, Yossi Ben-Aharon, an aide to Prime Minister Yitzhak Shamir, was quoted in the Ha'aretz newspaper as saying that "the hour of truth in relations between the United States and Israel is approaching following the discussions with the PLO." The newspaper quoted sources as saying the Bush administration had offered to upgrade the contacts if the PLO reacted favorably to the election plan.

The official declarations came as sources here made available a report by Israeli security forces asserting that the mainstream Fatah faction of the PLO, headed by Yasser Arafat, had been responsible for 10 bombings and other attacks on civilian targets inside Israel since December, when Mr. Arafat met a U.S. demand that he renounce terrorism.

The security services reported no injuries in the attacks, attributed to three El Fatah cells based in the West Bank that had been broken up. But Israeli sources argued that the information refuted recent assertions by U.S. officials that Mr. Arafat had kept to his pledge, which is a key condition of the U.S.-PLO dialogue.

The talks, carried out in Tunis since late last year by Robert H. Pelletreau, have led to growing frictions both between the Bush administration and Prime Minister Yitzhak Shamir and between Mr. Shamir's rightist Likud leadership and Labor leaders with which it is joined in an uneasy coalition government.

Mr. Rabin, the principle Labor Party proponent of the election plan, has looked favorably on the U.S.-PLO dialogue in the hope that Washington would persuade the

PLO to offer a green light to Palestinians in the territories willing to participate in the elections, political sources here said.

Mr. Shamir and Mr. Arens, however, have rejected the idea of any indirect influence by the Arafat leadership over the election process. Instead, they say they wish to find Palestinian negotiating partners in the territories who are independent of the PLO.

The new effort to discredit the U.S.-PLO talks comes at a time when Labor and Likud are struggling to meet their differences over the peace initiative, which have threatened to bring down the eight-month-old government.

Israeli spokesmen have long argued that PLO terrorist activity has not ended since Mr. Arafat's December declaration and the ensuing dialogue. The intelligence reports made available here assert that while cross-border attacks by El Fatah have ceased, cells affiliated with the organization have launched at least 70 more attacks in the last six months.

At least two persons have been killed and four wounded in attacks by El Fatah on Arabs in the territories in recent months, the reports say. Overall, political killings among the Palestinians in the terri-

ories have risen sharply in the three months since the election plan was launched, with 35 reported in April, May and June.

■ Attempts to Mend Rift

Joel Brinkley of The New York Times reported from Jerusalem: The Labor Party, reading the political winds indicating that most Israelis do not want the government to fall, is searching for ways to back away from its threat to leave its coalition with Likud.

Shimon Peres, the Labor Party leader, and Mr. Rabin met on Sunday with Mr. Shamir and Mr. Arens to discuss ways to end what has been called the "coalition crisis."

But it became apparent that any agreement Mr. Shamir might make with Labor would probably outrage his opponents in Likud, putting the prime minister in danger of attack from within his own party.

Although no firm plans were made at the Sunday meeting, Labor and Likud seem close to agreeing on a formula that would allow the two parties to engineer a new cabinet vote on the government's plan for Palestinian elections, even though the cabinet has already approved the plan.

The idea would be to ratify Mr.

Shamir's assertion that the plan for elections in the West Bank and Gaza stands as written, showing that it has not been altered by the prime minister's acceptance of several hard-line conditions forced on him by his rivals in the Likud Central Committee.

A government official said the vote would probably be held at next Sunday's cabinet meeting, giving both sides time to work out the precise wording of the motion.

The Labor threat to leave the coalition came after Mr. Shamir accepted a near-unanimous decision of his party's Central Committee binding him and other Likud ministers to four conditions intended to be riders to the government's plan for Palestinian elections.

The conditions would not allow elections until the uprising ends; would not permit East Jerusalem residents to vote; would assure that Jewish settlement continues in the West Bank and Gaza; and would bind the Israeli government not to agree to give up any territory in a final settlement.

The conditions are strongly opposed by Labor, which has said it would stay in this government only as long as there was movement toward peace negotiations.

Space Reunion Bars German Of Saturn-V

Huntsville, Alabama — Arthur Rudolph, project manager for the Saturn-V rocket at the Marshall Space Flight Center in Huntsville, Alabama, did not attend a reunion Monday of the scientists who designed the rocket that sent people to the moon.

He remained in voluntary exile in his native West Germany, under threat of prosecution for alleged Nazi war crimes.

"Many believe this is a sad day," said Ernst Stuhlinger, a retired NASA scientist who like Mr. Rudolph was one of 118 Germans who came with Werner von Braun to the United States.

Mr. Rudolph, 84, retired in January 1970 and moved to San Jose, California. After 14 years, the Justice Department's Office of Special Investigations raised allegations that during World War II he was involved in the deaths of thousands of concentration camp prisoners.

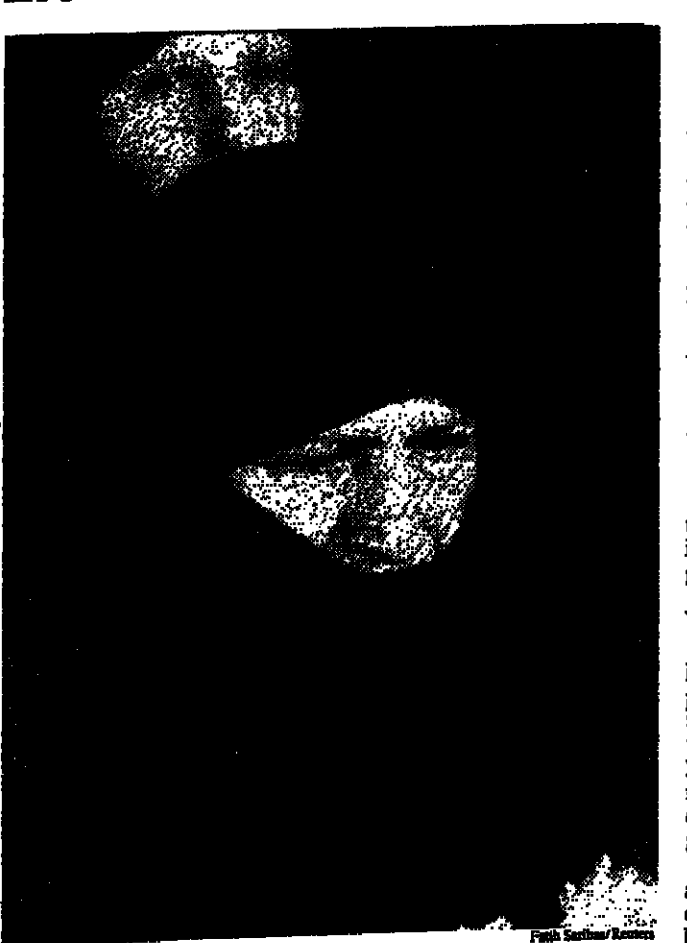
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In Post-Khomeini Iran, Dissent Begins to Flower



Zehra, a great-granddaughter of Ayatollah Khomeini, listening to a speech by Hashemi Rafsanjani, the parliament speaker.

By Patrick E. Tyler
Washington Post Service

TEHRAN — On the day that Ayatollah Ruhollah Khomeini died, the most popular movie playing in Tehran was about the disillusionment with his decade-old Islamic Revolution, even among many true believers.

The film, titled "The Marriage of the Blessed," is the work of a 32-year-old director, a member of Hezbollah, or Party of God. He summed up his disillusionment with his realistic portrayal of "human war" attacks by young Iranian "martyrs" on the Iran-Iraq war front and with his frank treatment of drug addiction, prostitution and financial corruption in post-revolutionary Iran.

The film represents a breakthrough for strong social criticism in a country where political propaganda has dominated the arts for 10 years, according to Iranian and Western analysts.

There are no reliable figures on how many of Iran's 50 million people have become disillusioned with the clergy-led revolution that overthrew Shah Mohammed Reza Pahlavi in 1979. But there appear to be more and more Iranians willing to express their grievances with the government openly.

The contrasts among dissenters are great. Today, disillusionment can be found among hard-core Islamic fundamentalists fighting against "liberalization," as well as among liberals struggling against

the strictures of Islamic fundamentalism in their daily lives.

In either case, it appears that students, business executives, journalists and professionals are attempting to send their message of discontent more forcefully to the revolutionary leaders.

For some, the message is overwhelmingly negative. A 60-year-old businessman whose 33-year-old son died 10 months ago from wood alcohol poisoning is selling his business and leaving with his four orphaned grandchildren. Alcohol poisoning has claimed the lives of numerous Iranians in the last decade, as Armenian Christians and secular-minded Muslims defying an alcohol ban have built a multi-million-dollar underground trade in homemade liquor.

The general manager of the state-owned bus factory complained last week in an interview with a state-controlled Tehran newspaper that the government was buying buses from West Germany while his factories and work force were standing idle.

Representatives in Iran's 270-seat Majlis, or parliament, this year have questioned everything from government industrial policy to the salaries of high government officials.

"Within their own revolutionary framework, the debate here is quite open and feisty," a Western diplomat said, "so long as one doesn't stray into the forbidden zones of challenging the system itself."

On Tehran's streets, women members of Hezbollah express outrage that feminine modesty is slipping by the day as more women test the limits of Islamic dress codes.

"Khomeini's death has caused many people to begin to test the system," an Iranian intellectual said, "and they will keep pushing it, little by little, until someone sets the limits for them."

In Iranian theaters, playwrights have attacked the rationing system by which scarce food items are distributed. The system is fraught with corruption that has further burdened Iranians with long lines at government stores for bread, sugar and other staples.

And some Iranian filmmakers are exercising new license to attack the shortcomings of the revolution.

Mohsen Makhmalbaf, director of "The Marriage of the Blessed," has been severely criticized in some quarters for his realistic depiction of war and depression in Iran. In an interview, he said he had been expelled from the Islamic publicity department that he had helped establish at Hawza, the main Shiite theological center at Qum, for his "dark" view of contemporary Iranian society.

"I was in prison four and a half years for this revolution, and on my body are signs of torture," he said. "Therefore, perhaps I am more courageous and deserve to show certain things that other directors cannot."

MOON: A New Romance?

(Continued from Page 1)

astronauts to visit either the moon or Mars. The agency expects a decision about which goal to pursue by the end of Mr. Bush's first term in office.

Inside NASA and the White House National Space Council, momentum has been building in favor of the stepping-stone approach to Mars by way of the moon.

Mr. Martin said, "The evolutionary approach makes a lot of sense if your goal is to spread the human presence into the solar system."

"You build up capability with the lunar outpost, do experiments on equipment and human physiology and then move on," he said, adding, "Even if we went to Mars first for political reasons, it would be foolish to leave the moon out of our long-range plans."

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Herald Tribune

Published With The New York Times and The Washington Post

Rethink Space Goals

The United States caught the world's imagination when the Apollo project sent Neil Armstrong and Buzz Aldrin to tread the moon's ancient surface. But in the 20 years since, the hope of Apollo, that humankind would take more giant steps in exploration of the universe, has been miserably thwarted.

After Apollo, NASA's leaders turned their backs on the stars and planets. They delayed or canceled astronomy and space missions, gambling the agency's future on hardware like the space shuttle and space station. Their hope was that some president would find a use for these ruinously expensive devices. None has, and now NASA is left heading down a black hole.

After the Challenger disaster, Ronald Reagan ordered commercial payloads off the shuttle; the Air Force has now decided to use expendable rockets for all missions after 1991. Erecting the space station is the chief remaining use for the shuttle, but if Congress balks at the extraordinary cost — now \$24 billion — it will have little to do. NASA's 20-year investment in manned space since Apollo will have yielded a pitiful return.

Consider, by contrast, the Voyager-2 spacecraft. Launched by a Titan-Centaur rocket, it is now 12 years out from Earth on a tour that has taken it past the Great Red Spot of Jupiter, the breathtaking rings of Saturn and the strange moons of Uranus. Its rich harvest of data will continue into the next century. Voyager will reach Neptune on Aug. 24. Its telescopes have already detected a new moon orbiting the pale green planet.

This is the quick, cheap and smart way to explore the universe — put human intelligence into space and keep human bodies safely on Earth. The total cost of the two Voyager spacecraft has been a mere half-billion dollars. Compare that with the more than \$30 billion spent just on the shuttle.

For NASA, Voyager represents the road not taken. After Apollo, it could have made a bold decision: to postpone the circus of manned space flight and, at half the cost, explore the planets with robots and automated spacecraft like Voyager. Had it done so, a stream of information would by now be pouring back from robots roaming the plains of Mars and the terraces of Triton. Such machines could have kept NASA on another frontier — high technology.

Instead NASA chose more manned space projects, big budgets and alliance with defense contractors and congressional pork-seekers. That dim choice bound it to its fleet of space shuttles. The shuttle's unique purpose is to carry men to the space station. But almost all the missions proposed for the space station could be performed more effectively from unmanned platforms. The Russians seem to have discovered that expensive truth. Their space station, designed to be permanently manned, now flies empty.

Since the odds of losing another shuttle are about 1 in 100 for each mission, there is a substantial chance that another crew will perish for no clear purpose. Whether the shuttle program could survive a second crash is doubtful. Whether Congress will now pay \$24 billion for a space station of contrived purpose is equally unclear.

Who can rescue NASA from its blunders? Probably only George Bush. No one else can face down the bureaucrats, the contractors and Congress and acknowledge that the space station makes no sense — and without it, the space shuttle has little role. No one, more than he, has the duty to rethink America's goals in space and restore NASA to the frontiers of exploration and technology. Only he can put it back on the trail it once blazed to the Sea of Tranquility.

— THE NEW YORK TIMES

Drop the Stealth Bomber

One of Ronald Reagan's first military decisions was to overturn Jimmy Carter's judgment on the next generation of strategic bomber. Mr. Carter had canceled the B-1, with which the Air Force hoped to replace the creaky B-52, and chosen instead to wait a while for the futuristic B-2, or Stealth. Mr. Reagan said the country could not risk the wait and told the Air Force to build both. Party to protect that decision, he kept the B-2 in the so-called black part of the budget, largely out of both fiscal sight and political mind.

The plane that is supposed to be invisible to enemy radar, or nearly so, is coming into view. With it have come questions about both benefit and cost. It turns out that the currently estimated cost for 132 Stealths is \$70 billion, or more than half a billion dollars each. The House Armed Services Committee, in its markup of the defense authorization bill, used the Stealth account as a piggy bank for financing other weapons that the Bush administration wanted to cut back. Defense Secretary Dick Cheney protested, saying that Congress should make a decision up or down on Stealth, not "nickel and dime it to death."

He is right: Congress ought to decide. Having built the B-1, it ought to cancel the

B-2. The major reason is that it is just too monstrously expensive. Even those who like it as a piece of machinery and strategy can see that it threatens to devour too much else. The cost of Stealth is out of sight.

It is also possible to buy the analysis that the B-2 is not absolutely essential. There would be a cost in terms of lost military capability (assuming that the B-2 performs as promised) and less pressure on the Kremlin to invest in expensive air defenses. But the underside leg of the nuclear triad, the Trident submarine, seems relatively invulnerable to a first strike and itself strong, and the land-based leg can be made so with the mobile Minuteman. If the B-1 turns out to be malleable to penetrate Soviet air defenses, it can be equipped to stand off and fire cruise missiles. America's arms control posture can be adjusted to fit these capabilities.

The \$50 billion that cancellation would save would not solve the budget problem. But that single stroke would take enormous pressure off other areas of the defense budget, including other strategic weapons. The savings from abandoning the B-2 are clearer than the dangers. The politics of such a thing are never easy, but the president and Congress should join hands and do it.

— THE WASHINGTON POST

Castro and Drug Dealing

Speculation about the recent case in which Fidel Castro executed four of his top military officers for drug trafficking is tinged with suspicion, and with reason. For years the Cuban president has been winking at or averting his gaze from what struck almost everyone else as a pattern of gross Cuban indulgence in drug dealing. It seemed wildly improbable that he could not have known what was going on. That is why so many observers thought that the crackdown on some of his most highly placed military aides had to have an ulterior purpose. To undo a popular general and potential political challenger, Arnaldo Ochoa, who was one of the four men executed? To throw Americans and others off the trail of other Cuban drug offenses and offenders? To draw the United States into a broader political dialogue?

Whatever this incident says about high politics and low crime inside Cuba, it does seem to have opened up a couple of new possibilities for Soviet and American cooperation in fighting drugs. One of these is for Cuba simply to stop doing what it has apparently been doing: no more dealings with the Medellín cartel, no more drug

transshipments and money launderings, no more use of the channels that Cuba has established to break the U.S. economic embargo for purposes of drug dealing, no more episodes such as the one reported as recently as July 9 in which, said Reuters, "Two Cuban MiG jet fighters kept a U.S. customs aircraft at bay while a small plane dropped a load of cocaine to a waiting speedboat just inside Cuban territorial waters."

A second possibility entails drug cooperation between the Cuban and U.S. governments. Mr. Castro now says he favors more of it. The lateness of his apparent change of heart on taking the drug issue seriously compels a certain skepticism, but that is all the more reason to put him to a prompt test by proposing specific forms of cooperation along the lines of the functional approach that the two governments have already taken on common concerns of immigration, air traffic and the like. Normalization of relations with Havana necessarily awaits Cuba's review of its international role, among other things, but cooperation in policing the drug trade should go full steam ahead now.

— THE WASHINGTON POST

Other Comment

Women on the Rise in Japan

For 18 years, Anzai Akio sat quietly in Japan's House of Councillors as a member of the ruling Liberal Democratic Party. It was an undemanding position; the upper house is a largely ceremonial adjunct to the House of Representatives. It has suddenly taken on a new importance, however, now that Japan's political arena has become a scandal-stricken wasteland of shattered reputations. Disgusted with "money politics," Ms. Anzai has quit the LDP, relinquished her seat and set up a new party. It is called the Sunshine Club, and its leader will be standing for re-election to the 252-seat upper house on July 23.

The Sunshine Club is but one of a welter of new groups wooing support from an electorate roundly fed up with the status quo. A

fresh breeze is blowing, and it seems likely to sweep away some of the cobwebs of venality and cronyism enmeshing politics. Amid all the irreverent posturing is a portentous awakening. Its pre-eminent symbol is Doi Takako, leader of the Japan Socialist Party. Quite simply, women are on the ascendancy.

If modern Japanese politics is a male preserve, it is culture, not law, that makes it so. The American-penned 1947 constitution ushered in a brave new world in which women had equal rights. There were far more female legislators in the Diet then than now. Women are once more about to have their day in the sun. This time around, they may succeed in establishing some balance in a political order suffering from the decades-long dominance of the old boys' club.

— AsiaWeek (Hong Kong)

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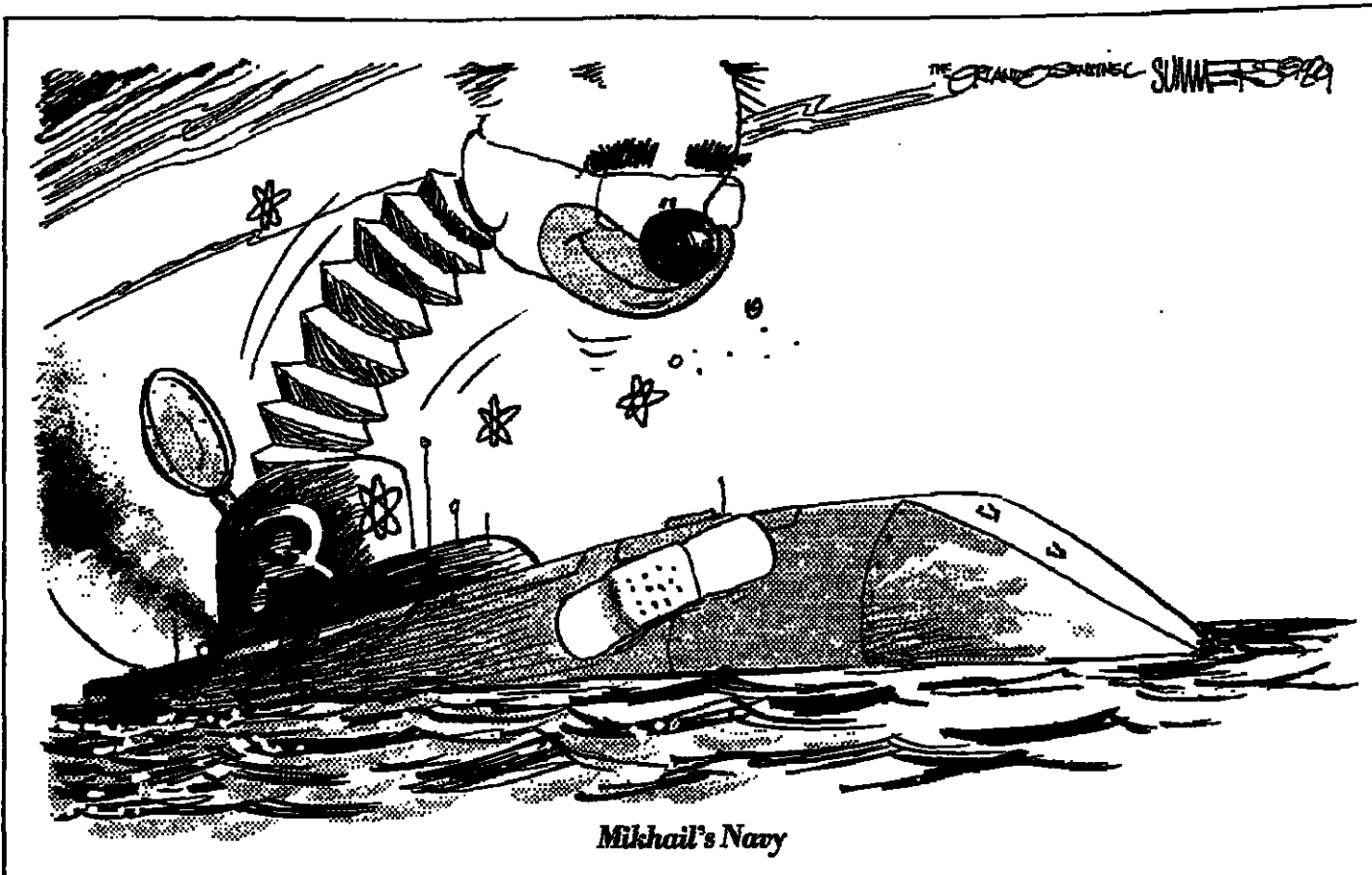
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OPINION



Mikhail's Navy

Japan's Role: Durable Clout in Trade and Finance

By Rudiger Dornbusch

This is the first of two articles.

CAMBRIDGE, Massachusetts — The major issue facing the free world's economy was not addressed at the weekend's economic summit in Paris. It is: What can be done about Japan?

Because money and politics are linked, the emergence of Japan as the principal creditor country will soon reshuffle the world economy and hence international relations. Japan will want to share the driver's seat, but there is no room in the current power structure.

Ultimately a tri-polar structure in world trade and finance is likely to emerge, with the United States isolated at one lonely pole.

In this mercantile world, Europe, already looking inward, will form one bloc. Japan will foster a new co-prosperity area in Asia, in which the Soviet Union may well be an active partner. The United States will be left with the unappealing task of building a trading area out of the leftovers.

It is no secret that there is worldwide resentment against Japan. This arises from their sheer envy of Japan's success. But it is also due to the fact that Japan remains, by the standards of modern industrialized nations, a closed society, with apparently little genuine interest in the progress of the larger world economy. Having been a free rider in world affairs for so many years, Japan is inexperienced and shy, yet tempted to play a big-time role.

Just as Japan cannot make up its mind to play the world power game full out, the major industrialized countries and their economies cannot get accustomed to treating Japan other than as a distant, rich and awkward relative who shows up at a family gathering uninvited and mostly unwelcome. The rich uncle from America, who used to dominate the table, may have been naive and even foolishly jovial, but the rich Japanese relative does not fit in.

In 1945, when the victorious United States was reshaping the world economic system, Lord Keynes told his British colleagues "They have the money, but we have the brains!" Today the fear is that Japan may have both. How might Japan's role resolve itself? Three scenarios suggest themselves, of which the third is, in current circumstances, both the most likely and the most worrisome.

Scenario: Japan loses its edge.

Back in the 1970s there was much talk about oil-producing states soon owning the entire world. But with oil prices down and resources dissipated,

OPEC has vanished as a creditor. It has disappeared as an economic force as fast as it came on the scene. Will the same happen to Japan?

Certainly the current situation suggests not. As the United States rapidly becomes a super-debtor, Japan is on the other side of the seesaw, acquiring an increasingly large piece of the world economy. American debt is already more than \$700 billion, and Japan keeps piling up more claims and buying up tangible assets from Hawaii to Detroit, from Mayfair to Manila.

Nor does it seem likely that Japan will suffer the fate of a Saudi Arabia. The ascent of Japan is built

Real change would require Japan to pursue strong measures to bring down the high Japanese savings rate — and that it is unlikely to do.

not on the throw of the dice in commodity markets (or, even more precariously, on a cartel) but rather on the firm foundations of an extravagantly high savings rate, massive accumulation of human capital, mastery of high-value-added manufacturing and a closed system that protects national gains from being shared with other countries.

It is conceivable that the Japanese miracle might be brought down. The most obvious way would be that Japan was forced by its competitors to streamline the arcane domestic distribution system that makes it so difficult to penetrate its markets; abolish the land-use and other restrictions that have so inflated its land prices; reform its fantastically inefficient agriculture.

But that is unlikely to happen, even with more assertive U.S. policies such as the recent naming of Japan as an unfair trader under the "Super 301" provisions of last year's trade legislation. Real change would require Japan to pursue strong mea-

sures to bring down the high Japanese savings rate — and that Japan is unlikely to do.

There will no doubt be some internationalization of the Japanese economy. But those who see cracks in the Japan Inc. model underestimate the key role that a high savings rate plays in Japan's self-image. Japan looks backward still to the memories of vulnerability in the 1930s (however imagined), the war, the aftermath of the oil crises and the Nixon commodity shocks.

Saburo Okita, a former foreign minister of Japan and a distinguished opinion maker on international issues, gives a striking clue as to what drives Japan when he reports in his 1985 memoirs the feelings of those who, in 1943, already recognized that the war was lost and looked ahead to the postwar challenges:

"An army in uniform is not the only sort of army. Scientific technology and fighting spirit under a business suit will be our underground army. This Japanese-American war can be taken as the khaki losing to the business suits."

Who knows how much of that spirit persists today? Such an economy does not embrace full-scale economic revolution, throwing out the structure that has protected the economy and society in the last few decades. The reality then is a continuing high rate of Japanese saving and, as a counterpart, growth of Japanese assets worldwide.

But if that is the case, in which directions will Japan expand? So far there is little real friction. With low national savings, the United States runs large deficits and Japan provides the matching financing. But what happens when America finally adjusts, balancing the budget and cutting down the external deficits?

It is not, after all, really difficult for America to achieve a higher savings rate. Economically the adjustment simply takes higher taxes, which, because U.S. taxation is broad-based and tax administration is highly efficient, produce few adverse effects on work effort, saving or investment. But of course the politics are not easy. The consensus is that it will take a crisis, perhaps a major dollar collapse, to change the country's attitude and trigger more responsible policy.

The writer is a professor of economics at the Massachusetts Institute of Technology. He contributed this comment to The Washington Post.

Palestinians: The First Test Is Accepting History

By Leslie H. Gelb

NEW YORK — A Palestinian leader in the occupied territories who is linked to the Palestine Liberation Organization is talking:

"The principle of Palestinian elections on the West Bank and Gaza is fine, but it must be a package deal leading to self-determination. We accept the state of Israel and understand that Israel fear a Palestinian state, so we're ready to talk about demilitarization, peace, security."

His eyes are sad and his voice is gentle. He is employing almost all the words that many Israelis, and Americans, like to hear.

Are they only words?

The conversation took place in Jerusalem before Likud hardened its

sea. Now this Palestinian leader's answer implies two rights, one for Palestinians and one for Israelis, and acknowledges that Israelis cannot erase those past mortal threats from their memories.

There is a lesson here, about trust. There can be none toward people who deny history.

The same lesson is evident now, in reverse, in China. Its leaders are rewriting the history of slaughters witnessed by the world only six weeks ago. These Big Lies are as frightening in their way as the bloody volleys in Tiananmen Square. How can the purveyors of such lies be trusted?

The Hungarians earned some trust recently by at last honoring Imre Nagy, their fallen martyr from the 1956 revolution. President George Bush honored this "act of truth" in his speech last Wednesday: "It is on this foundation of truth, more solid than stone, that Hungarians have begun to build a new future."

The same lesson is evident in the case of Mikhail Gorbachev. His early protestations about political and economic reforms were hard to credit. Apparently sensing this, he has allowed historians to strip away the propaganda. Most recently, he let Pravda publish a relatively accurate version of the Soviet-Nazi pact to divide Poland, an explosive issue long

repressed by Moscow. And he gave the go-ahead to publication of work by Alexander Solzhenitsyn. Even Lenin is no longer immune to criticism.

Mr. Gorbachev's seeming personal sincerity was not convincing by itself. That Soviet economic conditions were forcing him toward genuine reforms was not enough, either, not while Moscow persisted in living lies.

The Palestinians, too, appear sincere. They, too, seem forced by circumstance toward settlement. But Israelis cannot be expected to take real risks for peace until Palestinian leaders explode the historical myths upon which hatreds rest. No nation can make peace with an adversary whose future is founded on lies.

The New York Times

How the Palestine Charter Has Evolved

By Mohammad Tarbush

GENEVA — The Palestinian question often leads itself to oversimplification. An example of this is the debate concerning the Palestine National Charter. Few commentators seem to have read the relevant clauses, and few place the text in its proper historical perspective.

There have been three Palestinian charters — sets of principles agreed upon by national assemblies reflecting Palestinian aspirations to independence and their opposition to Zionism. Each successive charter was a reaction to a setback.

The first was adopted in 1919 by the First Arab Palestinian Congress, sitting in Jerusalem in response to the Balfour declaration, which had called for setting up a national Jewish home in predominantly Arab Palestine.

The second charter was produced in October 1948 in Gaza by a Palestinian National Assembly sitting five months after proclamation of the state of Israel. It reiterated the Palestinians' right to independence and rejected the new changes that had befallen Palestine.

The Palestine Liberation Organization was established in 1964. The third charter was drafted by the PLO's constituent assembly, meeting in Jerusalem in May of that year, and ratified by the first National Council session, also held in Jerusalem.

The text was amended at a National Council session held in Cairo in July 1968, a year after Israel occupied the rest of Palestine (the West Bank and Gaza), the Golan Heights and Sinai. Among the articles then incorporated into the charter, Articles 6 and 15 are frequently singled out for advocating the ultimate dismantlement of the state of Israel.

Article 6 says: "The Jews who had

normally resided in Palestine until the beginning of the Zionist invasion will be considered Palestinians."

Article 15 declares "liberation of Palestine" to be a "national duty," and calls for "elimination of Zionism in Palestine."

Analysts of the Palestinian charter tend to ignore the prior disposition of Palestinians as Zionism proceeded to establish Eretz Israel. Overlooked is the fact that in the 20 years from 1948 to 1968, when there were no Articles 6 and 15, neither was there peace, but rather continued methodical negotiation in words and deeds of the existence of the Palestinians. Against this background, the offending articles should be regarded as mild rhetorical reaction.

These articles were in any case superseded, in effect, by a resolution adopted by the National Council in September 1969. It was resolved to work toward the setting up of a "popular democratic Palestinian state for Arabs and Jews alike."

The two articles have been buried even deeper by a resolution calling for a "two state" solution, adopted by the council last Nov. 15 in Algiers. It is clear that Palestinian deputies are pragmatic enough to adjust to political reality. Their leaders are determined to give peace a chance. It is time for the Israelis to reciprocate.

True security can come only from Palestinian recognition, which would inevitably lead to normalization of relations between Israel and the Arab world. For such peaceful coexistence, some Jewish thinkers thought it worthwhile to give up the very idea of creating the Jewish state — nota-

ly Albert Einstein, who wrote that he would "rather see reasonable agreement with the Arabs on the basis of living together in peace than the creation of a Jewish state."

With the state security in place, Israelis have an opportunity to have both peace and the state. All things being relative, Einstein might have found the proposition exemplary.

The writer, a Geneva-based investment banker and commentator on Middle Eastern affairs, contributed this to the International Herald Tribune.

100, 75 AND 50 YEARS AGO

1889: The Ripper Is Back

LONDON — Thousands are quaking and other thousands are swearing vengeance. Jack the Ripper is back. He has returned from his supposed wanderings, and resumed his hideous work. All the details of this morning's (July 17) crime leave no doubt that the bloody work was by the same hand which decorated Whitechapel with a string of atrocities unparalleled in history. It is evident that Jack the Ripper has departed slightly from his previous methods. The victim had been struck from behind as in the past, but his method hitherto had been to stop the victim's mouth with his right hand, and with a heavy sweep draw a razor-like knife across the throat. It was clearly evident, however, that the knife had been plunged into the left side of the neck, and then drawn backwards towards the neck. In what may turn out as very important evidence, the murderer is left handed. No right handed man could possibly have made a wound of that appearance.

A Chance For America To Retrench

By Stephen S. Rosenfeld

WASHINGTON — The Bush top to Eastern Europe celebrates a bright turn in world affairs but not one hopes, the onset of an American crusade to vie with Mikhail Gorbachev on the great political battlefield of Europe. Something more modest but more enduring is in order.

Americans are tempted into the familiar postwar habit of regarding the Continent — the whole Continent — as theirs to guide and make over. It is not a response for which Americans need apologize, given America's enlightened and successful part in helping a stricken Western Europe back on its feet after World War II, but it is one that needs to be examined closely.

Conservatives urge George Bush to seize on events in Poland and Hungary, and proceed with all deliberate speed to integrate Eastern Europe into the Western orbit. Other Americans, wary of thus bringing on a Soviet stiffening, still are sympathetic to the notion that at the least America ought to liberate Poland and Hungary (and in time the other countries of the region) economically while they undertake to make their own political way.

But even that lesser goal would be biting off more than Americans can chew. America is a country of global obligations, including obligations to countries of fewer resources and hopes than Poland and Hungary. For that matter, it is a country which, by any reasonable standard of where its interests lie and what its values call for, is in default on its global obligations. It is by no means clear that the next foreign aid dollar, to put it in crass terms, should go to Eastern Europe.

President Bush offered certain economic assurances, no less useful for not involving much immediate spending by the U.S. Treasury, to the Poles and Hungarians. But when it comes to the various forms of more direct aid, there is a whole other large source of support to which the East Europeans can turn as they start the generation-long task of modernizing their Kremlin-stunted economies. That source is Western Europe, which has the resources (larger than America's) to pitch in, and also the powerful motives generated by culture, kin, proximity and immediate self-interest.

I am aware that the highlight of Mr. Bush's presidency so far has been his two forays into Europe. But for him and the rest of us not to perceive the new circumstances that permit a sensible and orderly American step back from a leading role, and in Western Europe as well as Eastern Europe, is to miss a giant opportunity.

It is clear enough that military tension in Europe is easing. Both sides are scaling down their defense establishments, partly on a schedule dictated by their own budgets and domestic agendas, partly by negotiation. Among America, Russia and Western and Eastern Europe, Eastern Europe stands to gain the most economically and otherwise from the partial demilitarization under way.

But the United States can also reap a substantial dividend. And reduction of its role in Continental defense should ease complaints about the relative size of the burdens carried by America and its allies, making more secure the diminished burden the United States will continue to carry.

As conventional forces are cut, moreover, the alliance-wedding problem of Europe-based nuclear weapons is bound to shrink to more modest and manageable dimensions. Since the United States is the principal wielder of nuclear muscle in Western Europe, this event, too, will have its own helpful effect in reducing the American profile on the Continent.

On the economic side, events are moving in a way which, if properly handled, can help Eastern Europe at the same time that it permits the United States to edge out of the outsized role it assumed at the vacuum left by the last war. The 12 nations of the European Community are coming closer together in a pattern that gives its members, and especially the most powerful among them, West Germany, an enormous capacity to reach an economic hand across the East-West line. There they find an Eastern Europe newly authorized by Moscow and newly energized by its own sense of desperation to reach back.

Mr. Gorbachev and his idea of a "common European house" are often identified as the great force dispelling the Cold War. That is a distortion. The great force in Eastern Europe is the power of the Western idea as demonstrated by the freedom and prosperity of Western Europe. It provides one sort of opportunity (rescue) to Eastern Europe and another sort (retrenchment) to the United States.

The Washington Post

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The Washington Post

1914: Carbajal May Quit

WASHINGTON — Senator Carbajal, who succeeded General Huerta as President on July 16, has informally advised the United States Government that he intends to retire in favor of General Carranza. Mr. William Jennings Bryan has said that although the United States would not recognize Senator Carbajal, it was amicably disposed toward him, and would applaud his efforts to secure peace.

1939: Talks in Poland

WARSAW — General Sir Edmund Ironside, Inspector General of British Overseas Forces, arrived here today (July 17) for a series of conferences with the commander-in-chief of the Polish Army, and Colonel Josef Beck, Polish Foreign Minister. The Warsaw press gives much attention to General Ironside's visit, and views it as the first move in co-ordinating Polish and British defensive strength on the Continent.

OPINION

Of Nixon, Kennedy and the Moon

By William Safire

WASHINGTON—What a weekend it was in the White House, 20 years ago, when man first landed on the moon and Ted Kennedy drove off the bridge.

I was then a Nixon speechwriter who had been working on a most minor part of the space program: the sign the Apollo 11 astronauts would leave on the moon. NASA had submitted: "Here men from the planet Earth / first landed on the moon / July 1969 A.D. / We come in peace for all mankind."

The word "landed" had been troubling us because the CIA suspected that the Soviets had landed an unmanned vehicle. (We learned much later that the Soviet probe had crashed.) At a meeting in Peter Flanigan's West Wing office, Pat Buchanan suggested "set foot," which solved the problem.

"We come in peace" sounded to me like the sort of thing you'd say to Hollywood Indians. At least change the tense, I argued, so that the message would not seem to be directed to lunar inhabitants. The fix was made to "came in peace."

We left "July 1969 A.D." intact because it was a shrewd way of sneaking God in: The use of the initials for anno Domini, "in the year of our Lord," would tell space travelers hence that Earthlings in 1969 had a religious bent. Piously, we made sure that a Bible with both Testaments was included in the spacecraft's cargo.

What should the president say to the astronauts in his phone call to the moon? Frank Borman, our liaison with the astronauts, brought the image-making up short with, "You want to be thinking of some alternative posture for the president in the event of mishaps." To blank looks at this technojargon, he added, "like what to do for the widows."

Suddenly we were faced with the dark side of the moon planning. Death, if it came, would not come in a terrible blaze of glory; the greatest danger was that the two astronauts, once on the moon, would not be able to return to the command module.

In that event, with no rescue possible, the men would have to bid the world farewell and "close down communication" preparatory to suicide or starvation. It would hardly advance the cause of space exploration to force half a billion viewers and listeners to participate in the agony of their demise. I prepared an appropriate statement about men who came in peace and stayed to rest in peace, holding it in my desk drawer in case of tragedy.

What none of us expected was editorial flak about the newly elected president signing the plaque and congratulating astronauts over the phone on behalf of all Americans. We underestimated the resentment of Kennedy partisans; Presidents Kennedy and Johnson launched and encouraged the space program, grumped The New York Times, and it was "unworthy" for President Nixon to "share the stage" with the astronauts merely because he was in the White House "by accident of the calendar" at its fruition. The Washington Post added that Mr. Nixon should not have signed

the plaque because the moon shot was no ordinary public works project.

The president ignored this not only because he enjoyed offending these editorialists but also because he planned to use the American space triumph to override the public preoccupation with Vietnam. He would follow his trip to the splashdown in the Pacific by a return through Europe, where he would plot with Romania's Nicolae Ceausescu about an approach to China.

The speechwriters didn't know about that; we did detect, however, the irony in the Kennedy family claim to attention on that Sunday, July 20, as Apollo 11 neared touchdown.

Mr. Buchanan and I were watching the tickers in the White House, updating the information for the president's phone call, when the first news appeared of an accident involving Senator Edward Kennedy and a passenger at a small bridge near Edgartown, Massachusetts. In a flat voice, Pat told one of the news summary aides to keep an eye on the clips to "see if the passenger was a girl."

That night, watching the moon landing at home, poking my 5-year-old son awake every few minutes so he could tell his children he saw the great event, I heard Walter Cronkite say the landing site would be near the Sea of Tranquility. It struck me that the president could use that phrase, and I called the White House duty officer to pass on to Nixon the tranquility theme.

Neil Armstrong and Edwin Aldrin landed, pranced about on the moon, made history, and took a call from the president that began with that thought. I felt the thrill peculiar to White House speechwriters: In this case, my message had gone a quarter-million miles. Unfortunately, my son had drifted off.

President Nixon called me a few minutes after midnight: "Well, I got in your tranquility line... important, especially in view of the Romanian trip." I said the rocket had blasted off from Cape Kennedy and the splashdown would be near Johnson Island and some people begrudged Mr. Nixon a phone call. He laughed and then said soberly, "You know, this is quite a day on another front, too."

I suggested that the news of the Kennedy accident would be buried in the excitement of the moon landing, but Mr. Nixon disagreed: "The fact that it happened this day could make it even more significant, especially the way they're trying to make this a Kennedy day. Strange."

He was right about that. In the long reach of history, the moon landing will be a milestone and Chappaquiddick a footnote, but in the effect on this generation the reverse is true. The moon walk was a spike of triumph for mankind (we'd have to say humankind now), but the death of Mr. Kennedy's passenger prevented him from being president of the United States from

1976 to 1984, with all the difference in national direction that a Kennedy restoration would have meant.

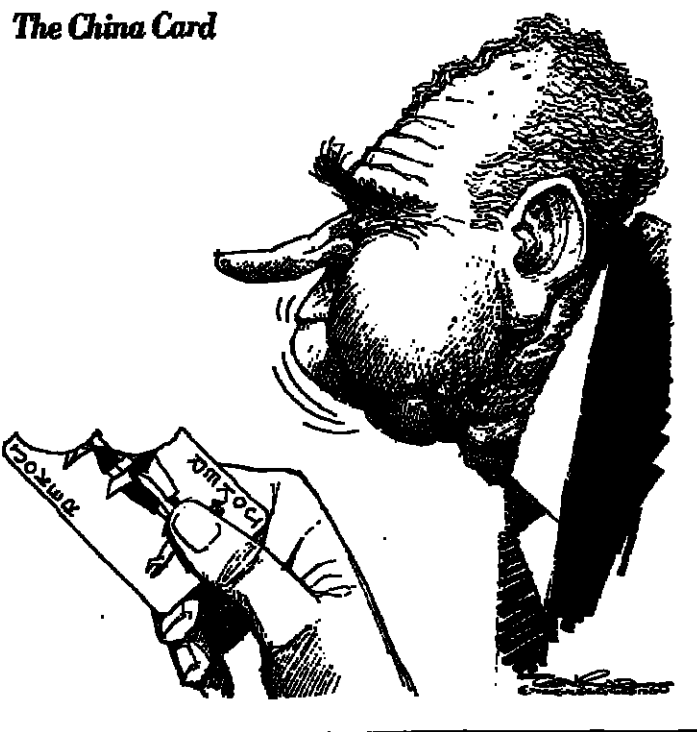
On a formal occasion a few weeks later, the stricken and stonewalling senator came to the White House and Mr. Nixon took him aside for a 10-minute pep talk. I did not overhear it, but these were Mr. Nixon's notes on an anticipated news conference question about Mr. Kennedy's subsequent defeat as majority whip: "A man is not finished when he's defeated. He's finished when he quits."

Twenty years later, space exploration is on a back burner. Mr. Kennedy is hanging in there as a liberal outpost in the Senate. Mr. Nixon, not finished, is preparing to go to China in six weeks to help reopen his closing opening.

And I, presuming to be a word man, have been sternly informed that A.D. must always precede and never follow the date. My guilt is on the grand scale: I had a hand in the first sign to be placed by Earthlings on another celestial body, and it contains a glaring grammatical error.

The New York Times

The China Card



LETTERS TO THE EDITOR

The Politics of Kenya

Raymond Bonner's opinion column "Why Welcome This African Noriega?" (July 1) contains assertions which, if not contested, could result in the perpetuation of misconceptions about Kenya.

It is true that there is a vibrant press in South Africa, and more open expression of disapproval of government policies than in Kenya. However, such a comparison completely misses the reality of apartheid. Unlike South Africa, Kenya has a majority government that rules according to what works best for the country. Right now that happens to be a one-party system.

Voting by secret ballot has not been abandoned; it has been refined. One has only to look at recent by-elections held in three constituencies in Kenya. Since none of the candidates received 70 percent in the queue-voting stage, a vote by secret ballot was scheduled.

One need only consult Congressional Quarterly for the period of debate in the U.S. House of Representatives on the 1989 foreign aid budget to see that U.S. aid to Kenya was linked to improvements in human rights, and that the situation with regard to human rights has improved.

Attempts at multiparty democracy in Nigeria (1979-1983) and Sudan (1986-1989) did not succeed. Has Mr. Bonner considered this and wondered why?

There is a clear moral and functional difference between a one-party black majority government elected by the people (by whatever method they may choose) and a minority government elected by one race only.

DAVID KASHANGAKI, Nairobi

It is true that one-party states and apartheid are both repressive. At the same time, chaos in countries of sub-Saharan Africa has often been cited as a justification of apartheid. There is a danger that Mr. Bonner's column could be wrongly interpreted and put to such a use by the supporters of apartheid.

IWAKAWA YASUHISA, Chiba, Japan

About a 1975 Wajda Film

I read the feature "Wajda, Director With Double Vision" (July 5) with great interest, wondering all the while why the interviewer did not question Andrzej Wajda about his 1975 film "Ziemia Obiecana" (The Land of Promise).

Nothing illustrates double vision better than Mr. Wajda directing "The Dybbuk" after having made this viciously anti-Semitic movie. It is a grotesque Marxist morality play depicting violation of Poland and the Poles by Jews and Germans during the Industrial Revolution. It fits well into the wave of anti-Semitism directed by the Polish Communist Party at about the time it was made. When it came to France, Mr. Wajda defended his film as an "accurate" picture, but, compared with the hideous caricatures of "The Land of Promise," the Nazi classic "The Jew Süss" seems like "Exodus."

The French press was predictably complaisant toward a hero of the cinema, but I challenge Mr. Wajda to have his 1975 film screened now to an audience of journalists and critics in the United States or Israel. I am not one of the proverbial rich Jews he caricatured, but I might well pay his fare over from Krakow for the spectacle.

I look forward to seeing this film come

out of the closet, just as I look forward to seeing how Mr. Wajda treats Karyn in his forthcoming documentary. Like Mr. Wajda's father, one of my Jewish relatives was among the officers of the Polish army massacred at Katyn.

G. Y. DRYANSKY, Paris

Thanks to the Fat Lady

In response to "If This Is Europe, Where Is the Renaissance Thing?" (Meanwhile, June 21) by Dave Barry:

What's so funny about public toilets in Europe and the "astonishingly squat" women who oversee them? Not long ago I was in Assisi, Italy, with my grandson, who needed his diaper changed. Following a sign, I carried the baby down a flight of steps into a clean set of toilets. Clean and safe because of the fat, middle-aged woman who sat there supervising.

Back to New York. Many of our subway stations and parks were built with public toilets, but they became so dirty and dangerous that most of them were permanently locked long ago. Why not employ a number of fat, middle-aged women instead?

LUCILLE WOLFF, New York

Keep Them in Uniform

Bill Earls ("What Hot Fools We Men Be," Meanwhile, July 7) contends that it is foolish for businessmen to dress as they do in hot weather. Ties and jackets are among the last vestiges of a civilized society. How does one respect the decisions of men in shorts and T-shirts?

A. KORYN, Paris

Definitive Nintendo Study, By a Hands-On Researcher

By Dave Barry

MIAMI—O.K., I bought my child a Nintendo video game system. I realize I should not admit this. I realize the Child Psychology Police may arrest me for getting my child a mindless, addictive, anti-social electronic device instead of a constructive, old-fashioned educational toy such as an Erector Set. Well, let me tell you something: All my childhood friends had Erector Sets, and although I am not proud of this, I

in the same sincerely patronizing voice that I once used to praise him for not getting peas in his hair.

What is worse, he gives me Helpful Nintendo Hints that are far too complex for the adult mind to comprehend. Here's a verbatim example: "O.K., there's Ganon and miniature Ganon and there's these things like jelly beans and the miniature Ganon is more powerful, because when you touch him the flying eagles come down and the octopus shoots red rocks and the swamp takes longer."

And the hell of it is, I know he's right. Benefit No. 2: Nintendo strengthens the community.

One evening I got an emergency telephone call from our next-door neighbor, Linda, who said, her voice breathless with urgency: "Is Robby there? Because we just got Gunsmoke (a Nintendo game) and we can't get past the horse." Of course I notified Robby immediately. "It's the Liebmanns," I said. "They just got Gunsmoke, and they can't get past the horse." He was out the door in seconds, striding across the yard, a Man on a Mission. Of course he got them past the horse. He can get his man all the way to the bazooka. My man dies during the opening credits.

Benefit No. 3: When a child is playing Nintendo, the child can't watch regular television.

Recently on the local news, one relentlessly personable anchorman was telling us about a murder at a Pizza Hut, and when she was done, the other relentlessly personable anchorman got a frowny look on his face, shook his head sadly and said — I am not making this quotation up — "A senseless tragedy, and one that I am sure was unforeseen by the victims involved."

I don't want my child exposed to this. Benefit No. 4: A child who is playing Nintendo is a child who is probably not burping as loud as he can.

I mention this only so I can relate the following recent true exchange between a mother and her 8-year-old son:

SON: Burp. Burp. Burp. Burp. Burp. ...

MOTHER: Stop burping!

SON: But Mom, it's my hobby.

So, Mr. and Ms. Child Psychologist, don't try to tell me that Nintendo is so terrible. O.K.? Don't tell me it makes children detached and aggressive and anti-social. In fact don't tell me anything. Not while the octopus is shooting these rocks.

Knight-Ridder Newspapers.

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Public Sparring Session By Gandhi and Bhutto Points Up Differences

By Sanjoy Hazarika
New York Times Service

ISLAMABAD, Pakistan — The prime ministers of India and Pakistan sparred in public Monday over a range of issues, indicating the divisions that continue to mark the relationship between the two.

In a news conference Monday, Prime Minister Benazir Bhutto of Pakistan swiftly corrected Prime Minister Rajiv Gandhi when he declared that Islamabad's nuclear program was under military control, and she clearly outlined their differences over the Kashmir dispute and the Indian role in Sri Lanka.

Despite their problems, both leaders agreed that their frank meeting would accelerate moves to strengthen relations and work out solutions to military flash points and cultural and trade stagnation.

Their foreign ministers met with other aides to follow up the discussions and focus on areas that are less controversial than issues such as nuclear proliferation but which are as central as anything else to a strong stable future relationship. These include improved trade, easier travel between the countries and more cultural and artistic exchanges.

Mr. Gandhi left Monday morning for New Delhi after a stop of 20 hours en route from Paris and Moscow. It was the first official visit by an Indian prime minister to Pakistan in 29 years.

Soon after he remarked at the news conference that Pakistan's atomic program was "one of the bigger" bilateral problems since it was "entirely under military control."

While both nations faced pressures on their nuclear programs, she said that a "nuclear arms race would be even more regrettable" than a conventional arms race on the subcontinent.

Mr. Gandhi responded by saying that nuclear nonproliferation could not be regarded as a regional issue. He said that he had spoken with U.S. leaders about Indian concerns over the Pakistani nuclear program.

"We have made our fears known to them," he added. Both countries are said to have secret weapons programs, which they continue to deny.

U.S. officials said that President George Bush spoke recently with Mr. Gandhi on the issue and asked him to help curb an arms race between the countries. However, soon after this, the United States decided to supply 60 F-16 jet fighters to Pakistan, touching off concern in India over Washington's position on the issue of arms proliferation.

"India does not have an arms buildup," Mr. Gandhi said, saying that his government spent only 4 percent of India's gross national product on the military. He said that Pakistan, a much smaller nation, spent 8 percent of its GNP on its military services.

"There is no question of India acting like a bully or any other bully," Mr. Gandhi snapped, ap-

parently smug by criticism here in the newspapers and by officials that New Delhi was throwing its weight about in the region. In Sri Lanka, for example, Indian troops are refusing to vacate the island after President Ranasinghe Premadasa asked them to leave.

Mr. Gandhi said that a withdrawal by the forces, which went there at Colombo's invitation two years ago to keep the peace between the majority Sinhalese and minority Tamil groups, would lead to a civil war in that country and threaten Indian security interests.

India and Pakistan continue to be wide apart on their views on Kashmir, most of which lies in India. "We have differing perceptions on Kashmir," Miss Bhutto said.

Mr. Gandhi rejected a suggestion that a plebiscite be held in the area so that Kashmiris could decide whether they wanted to join India or Pakistan. There have been three wars and 40 years of what Miss Bhutto called a "painful history" of conflict and "mutual suspicion" over Kashmir.



Rajiv Gandhi of India and Benazir Bhutto of Pakistan at a news conference Monday in Islamabad.

Beijing Digs Deep for Cash Workers Forced to Take Part of Wages in State Bonds

By Jay Mathews
Washington Post Service

BEIJING — In a move with potentially serious political and social consequences, the Chinese government has accelerated forced borrowing from its own people, demanding that workers accept up to 25 percent of some monthly wages in government bonds.

Chinese and Western sources said workers and their factories had been required to buy about \$6 billion in bonds so far this year, twice the annual average. They predicted even more forced borrowing as officials search for funds to control food and fuel prices and predict another politically devastating inflationary spiral.

The cash shortage has been severely aggravated by the collapse of the tourist industry and the delay of several foreign trade deals brought on by international disgust at the June 3-4 killings of pro-democracy demonstrators in Beijing and the subsequent crackdown on dissidents.

Workers, responsible for some violent anti-government protests this spring, are already disillusioned by shrunken living standards. Some officials fear more unrest as the increased forced borrowing cuts into monthly pay. "I barely get enough a month to buy food now," one Beijing area worker said.

Chinese sources said the forced borrowing, beginning with a \$2.8 billion bond issue early in the year and another \$3.2 billion issued July 1, touches nearly all of the country's more than 90 million factory workers.

Spread over the entire year, the bond purchases so far would take only about 5 percent of total wages, but Chinese officials say most of the money is being deducted over just two or three months, greatly increasing the temporary impact on personal income. Another bond issue before the end of the year is also possible, Western sources said.

One foreign businessman with unusually close, decades-old ties to Communist officials said the disenchanted caused by tight money policies "is producing such economic and political pressure on the leadership" that some very high officials could lose their jobs. Officials such as Prime Minister Li Peng, who have led the anti-inflation effort, are particularly vulnerable, sources said.

Much of the official borrowing, and in some cases outright appropriation of funds, has hit not only individuals but factories that had hoped to use the money for equipment to improve productivity.

In previous years, the government printed more money to satisfy demands for price subsidies, new equipment and construction. That led to three serious inflationary episodes in the last decade, culminated by a major panic last year.

After urban inflation passed the 30 percent mark last fall and serious hoarding began, the government shelved price reform and other economic liberalization measures supported by Zhao Ziyang, since deposed as party leader. The new hard-line Li government began to accelerate the forced sale of government bonds to restrain further spending.

A foreign businessman said some Chinese officials had told him that individuals and enterprises were so disenchanted with the Chinese banking system that they had taken more than \$250 billion in cash out of circulation, to be kept in safes and dressers. Published Chinese sources put the figure at about \$50 billion.

The treasury bonds used in the forced sales can be redeemed in three years and have interest rates indirectly tied to inflation, now thought to be running at about 25 percent annually. But some Chinese say they are so discouraged by the relatively low interest and long lines at bank redemption windows that they have turned to black market brokers offering as low as 60 percent of face value for bonds outstanding.

The government collected windfall revenues in the early 1980s from initial, much smaller bond sales, but now those bonds are coming due and producing further pressure to find new sources of revenue to pay for them. One economist described the bonds as a major financial gamble by a government trying to curb inflation and avoid paying substantial additional interest when the latest bonds come due.

A severe shortage of cash in the banking system forced the government to buy much of its grain from farmers last fall with bai naozi, "white receipts" or IOUs. Farmers had to wait months before they could purchase fertilizer and other equipment for this year's planting.

Angry China Berates West For Criticism

Washington Post Service

BEIJING — The Chinese government reacted sharply Monday to criticism from the major industrialized nations' summit meeting in Paris of its recent suppression of demonstrations, rejecting in a front-page People's Daily editorial what it called "gross interference in China's internal affairs."

"With the interdependence of the global economy ever increasing," the editorial said, "the near-sighted practice of keeping China away from the world community may not only undermine world peace and stability, but hurt the interests of Western countries as well."

The editorial repeated what it called the summit leaders' denunciation of "China's violent suppression in violation of human rights" and said these "groundless charges" were "unacceptable."

It said some Western media had tried to distort China's "quelling of the rebellion" by a "handful of conspirators" in collaboration with foreign hostile forces.

It also rejected concern by the industrialized nations for the future of Hong Kong, which, it reiterated, could continue to have a capitalist system.

Beijing Accuses Paris
China on Monday accused France of continuing to interfere with China's domestic affairs by allowing Chinese students to march in the Bastille Day parade in Paris. The Associated Press reported from Beijing.

Hundreds of Chinese students wearing headbands with the Chinese characters for "Liberty, Equality, Fraternity" rode bicycles in the parade. They carried a banner saying, "We Carry On."

In a meeting with Ambassador Charles Malo of France, a Foreign Ministry official called it "an attack by insinuation against the Chinese government."

Rafsanjani Set to 'Deal' With West

Reuters

NICOSIA — Iran is ready to deal with the West on an equal footing, according to Hashemi Rafsanjani, the parliamentary speaker, who is so confident of winning Iran's presidential election on July 28 that he does not plan to campaign.

In remarks published Monday he promised that as president he would aim to revive industry, now running at less than half speed, and would back a sell-off of state factories to raise cash and increase the people's role in the economy.

Mr. Rafsanjani set out his program for a four-year presidential term in an interview with the daily Jomhuri Eslami that reflected pragmatic views taking hold in Iran since the death on June 3 of Ayatollah Ruhollah Khomeini.

Questioned about ties with Western countries, Mr. Rafsanjani said: "If they deal with us on the basis of equal terms and do not wish to impose anything on the revolution we will deal with them on equal terms."

Both Mr. Rafsanjani and the outgoing president, Ali Khamenei, who succeeded Ayatollah Khomeini as spiritual leader, have stressed the need for economic growth and good relations with most of the world after eight years of fighting Iraq.

Mr. Rafsanjani, who played a key role in the secret arms purchases which led to the Iran-contra affair in Washington, said Iran continued to have serious problems with the United States, Israel and South Africa.

He faces one opponent in the presidential elections — Abbas Sheibani, a member of parliament and a loser in a 1981 presidential race, who presents only token opposition.

Megalomaniacal Monstrosity?

Ceausescu Bulldozes Romania Toward 'Systematization'

By Craig R. Whitney
New York Times Service

BUCHAREST — While Hungary and Poland move toward a multiparty system and all of Eastern Europe ponders its future, Romania steadily closes in on itself in pursuit of the Stalinist visions of its leader, Nicolae Ceausescu.

Part of that vision is now almost a reality in the capital, in a monument so huge it virtually defies description. It is a colossal white stone building, called the Palace of the People, from which Mr. Ceausescu and his wife, Elena, will rule the country after it is opened next month.

From the palace, Victory of Socialism Boulevard stretches in a broad, straight line of high-rise buildings containing apartments for government functionaries and stores whose salesmen say the luxury goods are only for display, not for sale. The boulevard cuts for more than five kilometers (three miles) through what used to be the choked, chaotic neighborhoods of the old city.

In the parlance of the place, the old neighborhoods have been "systematized," a process that has begun in the countryside as well, raising widespread fears.

The foreign diplomats who have watched Mr. Ceausescu's growing self-obsession say that there is a social vision at the root of it all: a wish to transform Romania from a backward, agricultural society into a socialist, industrial nation much like the one Stalin tried to build, with the same totalitarian methods, in the Soviet Union.

"I think he's a man who believes deeply," a Western diplomat with long experience of Eastern Europe said of Mr. Ceausescu. "He signed out Stalin's kind of communism in 1933, and believed deeply that it was the solution to his country's weakness and backwardness. Maybe he now he only believes in himself, but as a committed Marxist-Leninist."

In the town of Sornicesti, Mr. Ceausescu's birthplace 160 kilometers west of Bucharest, what the Romanian leader is trying to escape from and what he is trying to force the country to become stand incompatibly side by side.

The wells and outhouses and wooden cottages of Mr. Ceausescu's peasant boyhood are being crowded out and pushed over to make room for high-rise concrete and stone apartment dwellings.

Mr. Ceausescu was born in Sornicesti on Jan. 26, 1918, and relatives still live in his parents' house under the cherry trees. A uniformed guard warns visitors to stay on the other side of the street, where a memorial drinking well stands in memory of Mr. Ceausescu's father, Andruța. In a hilltop cemetery a few hundred meters away, a white marble gravestone bears a cross and an engraved portrait of Andruța and Alexandra.

Ceausescu stands before a chapel. There is a startling resemblance between father and son.

The shrine and the fountain bespeak filial piety, not dictatorial self-glorification. The true monument is in the construction along the town's new Boulevard of Labor, which has now put high rises in place of about half the village's rustic country houses.

"Ceausescu wants Romanian peasants to live like Romanian workers, in apartment buildings," a Western diplomat said, "and wants every village to have a meeting hall, a recreation center, just as every factory town has."

In a series of speeches a year ago, Mr. Ceausescu threatened to liquidate thousands of villages, saying that any rural settlement of under 2,000 people was not economically

"There have been reports of villages that have opposed attempts to even start systematization," a Western diplomat said. A diplomat from a different country was told by Romanian contacts that residents of two villages earmarked for modernization in a northern district had marched to their mayors and threatened to kill him unless the project was stopped.

Paul Focsa, the chief architect of Bucharest, took a group of foreign journalists on a tour of the city and showed them one neighborhood of buildings resembling Russian dachas, to the north of town. Half of the buildings had recently been razed and their inhabitants moved across the street to high rises.

"Bucharest was left with a medieval infrastructure after the war," he said. "Today, it is enjoying the kind of transformation that Paris underwent in the time of Napoleon III. The purpose of our leadership is to create better living conditions for people. We've built 6,700 apartments, for which we destroyed about 10 percent or 11 percent of the backward houses."

Mr. Focsa took the group behind the Travertine marble facade of the boulevard to the Antim Monastery, an 18th-century complex scrupulously preserved because it is the seat of the Orthodox Patriarchate of Bucharest.

There, Bishop Nifon, an auxiliary of the patriarch, was taking a stroll, and the visitors asked him whether the renovation of Bucharest had destroyed several churches, as reported abroad.

"Yes, a few churches have been demolished — churches which are not of too much historical interest, and churches that were too close to others," he said, in English.

Mr. Focsa acknowledged that the Văcărești Monastery, another old building, had been destroyed as part of the civic center construction. "It was transformed by the bourgeoisie into a prison," he said. "The most important architectural elements were saved and taken away to be preserved and displayed in a museum."

A Western diplomat said he thought the systematization program had had a negative impact in the West mainly because of the way it had been carried out.

"People don't have many rights, and can't hold it up or get it disproved the way they can in the West," he said, "and maybe they don't want to live in high rises in the first place."

But they must. Mr. Ceausescu's party platform for the next century says: "Socialism must provide for all members of society, indiscriminately, equal conditions of working and living. Educational, health care, cultural and artistic will be developed in communities, offering working conditions and living standards ever closer to urban ones."

When it happens, it is apparently with little warning, and residents have little chance to appeal. Sometimes people have taken matters into their own hands, it reports reaching Western diplomats are to be believed.

viable and that people living in such places should be housed in "agro-industrial complexes" instead. His speeches prompted fears abroad that Mr. Ceausescu, like some sort of Romanian Pol Pot, would bulldoze the country's priceless architectural heritage in the name of collectivization.

Mr. Ceausescu's statement that 7,500 villages would have to go by the end of the century was fudged by Romanian officials after international protests branded the project a megalomaniacal monstrosity. But Western diplomats believe the program will continue.

The threat was thought to be particularly acute for the country's two million ethnic Hungarians, who live mainly in rural settlements in Transylvania, and to some ancient, architecturally valuable German settlements in the north.

In fact, according to Western and Hungarian diplomats, not a single Hungarian village has yet fallen under the ax. But a handful of rustic garden neighborhoods on the outskirts of Bucharest, the settlements of Vălceni, Cloteni, and Dumbrăveni, have been bulldozed in the past year.

When it happens, it is apparently with little warning, and residents are given little chance to appeal.

Sometimes people have taken matters into their own hands, it reports reaching Western diplomats are to be believed.

SOVIET: Siberian Miners Strikes Spread to Ukraine

(Continued from page 1)

lar discontent in the Soviet Union. They complain about the acute shortage of soap, the lack of warm winter clothing, empty food shelves in the stores, crowded apartments and lack of social amenities in the mass housing developments of the coal-field towns.

More abstractly, they are demanding rapid adoption by the new Soviet legislature of a revamped constitution that provides stronger individual rights. They are complaining as well about privileges enjoyed by local Communist Party officials.

For the most part, local officials have expressed sympathy for the strikers. They are obviously mindful that a critical new round of elections are to be held next year and will be competitive for the first

time under Mr. Gorbachev's program for political renewal.

The Politburo delegation was dispatched from Moscow after strikers demanded to talk directly with ranking officials. At the same time, Soviet news reports continued to avoid the tone of sympathy that had been traditional in past reporting on work stoppages.

This remained true as well in the rhetoric from the Kremlin, with Mr. Ryzhkov promising that a special government commission would carefully study "the whole range of problems" in the mines.

He said that Mr. Gorbachev was personally appealing for an end to the stoppage and promising to deal with the workers' grievances.

On one level, the strike is a dramatic example of the Soviet public's adaptation to Mr. Gorbachev's invitation to be more outspoken in

the spirit of change. But, if its severity increases, the strike also will compound the economic stress that he rates as the nation's chief problem.

In seeking the strikers' cooperation, Mr. Ryzhkov attributed the miners' problems not to central authorities but to "the inertia of local authorities." But the striking miners, thus far maintaining a nonviolent protest in which leaders have kept liquor stores closed, have been criticizing both national and local authorities in protest rallies in the town squares of Siberia.

Troops in Abkhazia
Soviet troops struggled Monday to restore order in the Black Sea resort city of Sukhumi after clashes between Georgians and Abkhazians on the weekend, Reuters reported from Moscow.

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Philippine Typhoon Kills 23

MANILA — A typhoon killed 23 persons and left thousands homeless when it struck the northern Philippine island of Luzon, causing floods and landslides, the Red Cross said Monday.

A Red Cross spokeswoman, Tessie Pena, said 10 persons drowned when floods swept the town of

Bangar in La Union Province, one of the dozen provinces struck by the typhoon on Sunday. One man was killed by lightning, she said.

Nine persons were killed when landslides crushed several houses and three persons drowned in the mountain province of Benguet, Ms. Pena said. She said about 8,000 families had been affected at the height of the typhoon, which carried winds of up to 205 kilometers per hour (130 miles per hour).

Many families were evacuated to schools and government offices after floods destroyed their homes, she said.

The typhoon, designated Gordon, was expected to strike the South China Sea coast near Hong Kong on Tuesday.

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ACROSS

1 Self-satisfied
5 Cone-shaped edifice
10 Put on the line
14 The Black Pearl of soccer
15 Bikini, e.g.
16 College in New Rochelle
17 Nobelist in Literature: 1954
20 Mrs. Peron
21 Bides one's time
22 In wendement
23 Poi ingredient
24 Lyric poem
25 Nobelist in Literature: 1958
32 Carl, the astronomer
33 Couple
34 Equal: Prefix
35 "You," 50's hit
36 Betty and others
38 Harrow's rival
39 Noshed
40 Some kind of nut

DOWN

1 German battleship
2 Griffin of TV

Solution to Previous Puzzle

ALPS STRAP STAB
POLE ONAIR THRU
ONEATATIME UNAL
DEBTOR DEF PELL
WED DEFOE
OFFENDER CORPUS
FLOSS GESTE ENT
TAUT PANTS ANTE
ERR LASER ERNIE
NESTER WILDEYED
QUIET PEN
SOUR NAB GASSES
OMAR TWOBASEHIT
WIRE ASCOT MORE
STET LEASE ITEM

3 Humerus's neighbor
4 Turn right
5 Some subjects of Gertrude Khan
6 Haile Selassie was one
7 Frost, e.g.
8 Trees in an O'Neill title
9 Teacher of Samuel
10 Shipyard worker
11 Part of the Louisiana Purchase
12 Start of a football play
13 Sammy or Danny
14 Rural sutor
15 Consumer's friend
23 Walter's burden
24 Cornelia Skinner
25 African language group
26 Made eyes at
27 Nearly vertical, as an anchor
28 Lughubrious
29 Former name for radon
30 "Sing" of stiperce
31 "King" 1933 film
32 Fly like an eagle
33 Part of a quince
37 Superannuated
38 Give off
40 Saguaro and prickly pear
41 Radical found in garlic
43 Returns
44 Pierce through
45 New Guinea aborigine
48 Barter
49 Marmy
50 Former Cub manager
51 Org. founded in 1844
52 In the distance
53 Small dagger of yore
54 Exogamous clan
55 Very, in Vichy
57 In vite
58 U.S.S.R. security police.



DUBAI and The Jebel Ali Free Zone

Emphasis on Far East and Asia as Trade Expands

THERE HAS BEEN a renewed burst of business activity in Dubai since the end of the Gulf conflict between Iran and Iraq. The most obvious signs of this can be seen along the creekside, where the dhows jostle for spaces to moor, or at Hamriya, just to the northeast of the creek's mouth, where the small vessel harbor is crowded with hundreds of trading dhows and associated small ships each day.

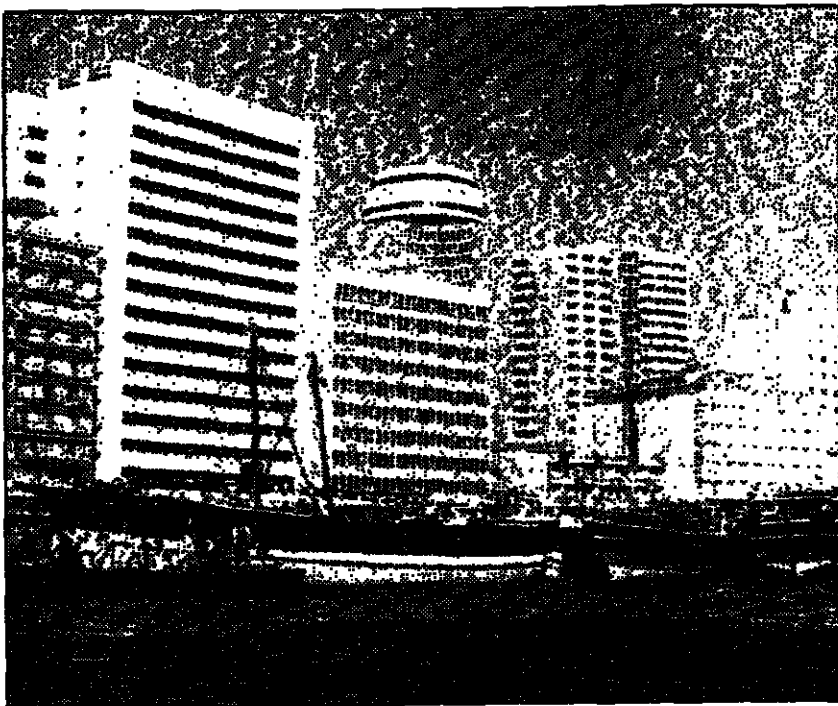
Dhows are the traditional lifeline of Dubai, which has become one of the most "open" trading centers in the world. An early morning visit to Hamriya will reveal every conceivable cargo, with dhows offloading carpets from Iran and Afghanistan along with cashew nuts and caviar. There will be scrawny cattle and goats with bales of hay and gray cotton cloths. On the dockside, waiting to be loaded, will be essential foods — mainly rice from the Philippines — and all manner of small electrical goods, cooling fans, video recorders and cameras, building materials and Japanese-made trucks and vans. Most of them will be destined for Iran, as well as other destinations such as Afghanistan and Africa.

This reexport trade has established Dubai's reputation as the proverbial "City of Merchants," a nursery for all kinds of budding entrepreneurs. Last year exports rose by a dramatic 30 percent to reach 1.7 billion dirham (\$469.7 million), while imports, which totaled Dh 22.4 billion, registered a 19

percent increase over the previous year. The volume of container traffic at both Jebel Ali and Port Rashid also increased considerably, as did the levels of air-sea cargo traffic.

New trends in trading patterns are developing. As Dubai forges alternative links overseas and expands some of the existing ones, there is more emphasis on trade with the Far East and Europe for both oil and non-oil exports (mainly West German autos and aluminum for Japan).

Last year Japan accounted for Dh 706 million of Dubai's non-oil exports and in return sent Dh 3.9 billion worth of goods to Dubai. Britain and the United States, with approximately Dh 1.9 billion each, were the second and third largest exporters to Dubai. While the United States, South Korea and Italy all increased their exports by 32 percent, the largest single increase was made by China. Exports from the People's Republic rose by 42 percent following trade missions led by Dubai's Chamber of Commerce and Industry.



Dhows moored alongside Dubai's busy waterfront.

Dubai's reputation as an open trading center also draws on its ability to provide a complete package of services from finance to communications and air-sea cargo handling facilities. As trade picks up, local and foreign banks have been reporting substantial improvements in their activities for last year.

Most banks are recording considerably greater activity in trade financing, not only for exports and reexports, but for their participation in many of the post-Gulf War reconstruction opportunities. Increased public spending in Dubai as a result of firmer oil prices and higher revenues is having its effect on the financial tempo.

The municipality is embarking

on a number of major civil works to improve water and sewerage schemes as the city continues to expand. One conservative estimate expects the total population to reach 500,000 by the end of the century. Construction of the third Maktoum bridge across the creek is going ahead. A fourth creek crossing is also planned.

The largest single construction project is probably the \$43.5 million contract awarded to Belgium's Six Construct International to build a new 15-story headquarters building for Emirates Telecommunications Corporation (Etisalat).

Several million dollars are also

See Trade, Page 8

Increased Profits Usher in New Era for Banking Sector

THE EMIRATE'S BANKING sector looks set for a period of increased profitability this year. Indeed, the Dubai-based banks that have issued accounts for 1988 are already reporting increases in assets and profits.

The National Bank of Dubai, one of the healthiest and the seventh largest bank in the Middle East, reported a 5 percent increase in profits to Dh396 million (US\$108 million) last year. Total assets rose 6.3 percent to Dh1.6 billion and a 40 percent dividend is being paid to shareholders.

The Bank of Oman, the largest privately owned bank and third largest overall in the UAE, increased its total assets by 14 percent to Dh10.5 billion and its profits by 24.9 percent to Dh81.5 million. At the same time, its non-interest bearing income rose by 54.9 percent to Dh82.7 million. This improved position was offset, however, by a 25 percent increase in expenses (Dh159 million) and larger provision for non-performing loans and other costs (Dh123 million).

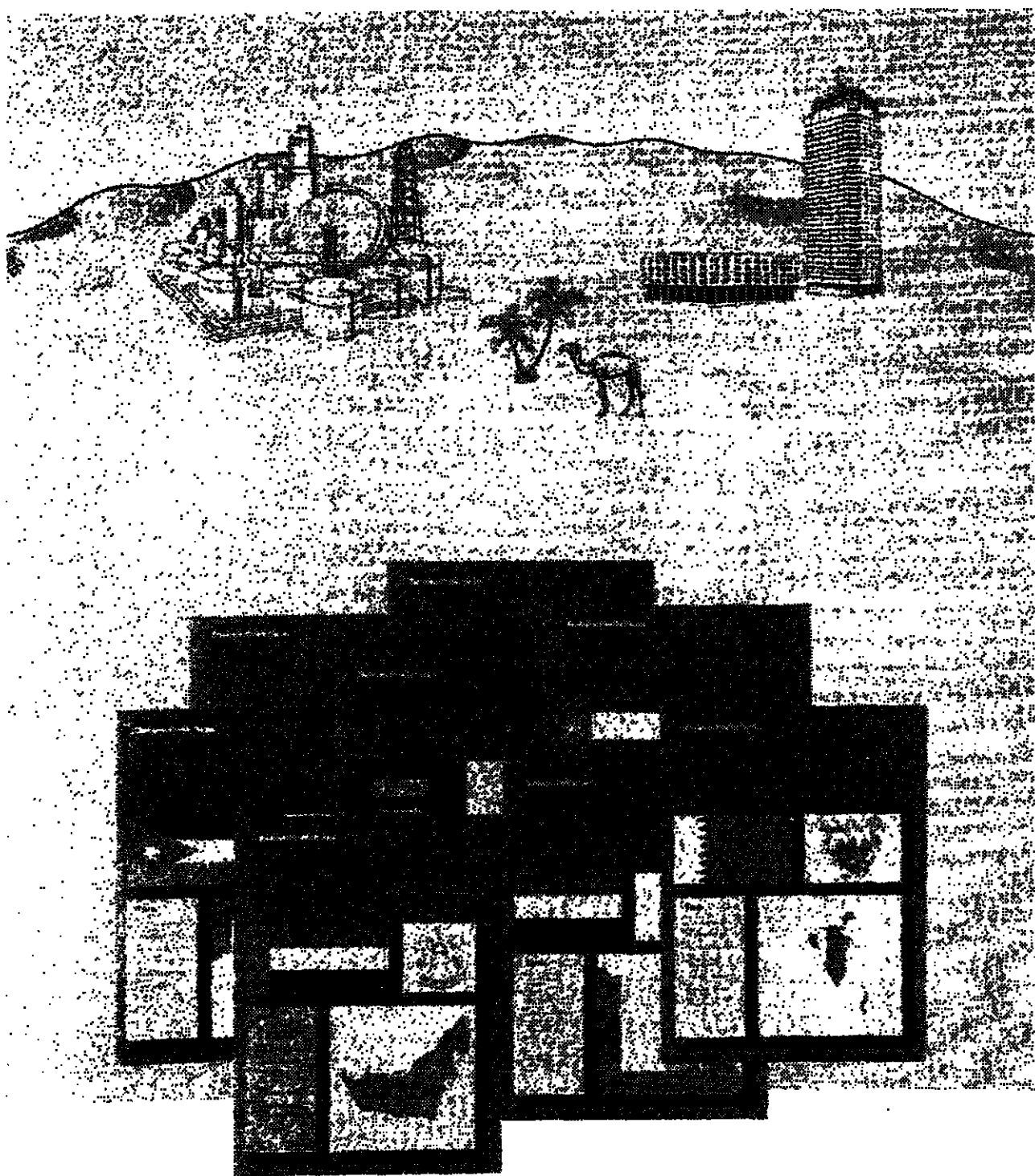
Earlier this year, Emirates Bank International played a major role in helping to finance the airline Emirates' purchase of an Airbus A300-600R with a \$70 million loan. The fourth largest bank in the UAE, it is 80 percent owned by the Dubai Government and, with John Lewis, an experienced Middle East and Asian banker at the helm, nearly doubled its profits to Dh60.3 million last year. While total assets rose slightly to Dh5.8 billion, customer

deposits went up from Dh3.9 billion to Dh4.4 billion.

Continued improvement in profits (up 25 percent in 1988 to Dh23 million) was shown by the Commercial Bank of Dubai. Total assets were up 2.4 percent to Dh1.2 billion.

Standard Chartered has announced consolidated group profits of \$16 million for its Middle East and South Asia division. This compared to losses of \$4.6 million in 1987.

Standard Chartered now plans to open a branch in the Jebel Ali Free Zone, where it will join others such as the United Arab Bank and British Bank of the Middle East (BBME). This year marks the centennial of BBME, the Gulf's oldest bank. It has played a leading part in Dubai's development by applying its management expertise to projects as diverse as telecommunications and helping to run the electricity company. In 1960 it became part of the Hongkong and Shanghai Banking Corporation and today holds approximately one third of its assets — or the equivalent of Dh3.8 billion in the UAE. Last year the bank reported a net profit of Dh68 million.



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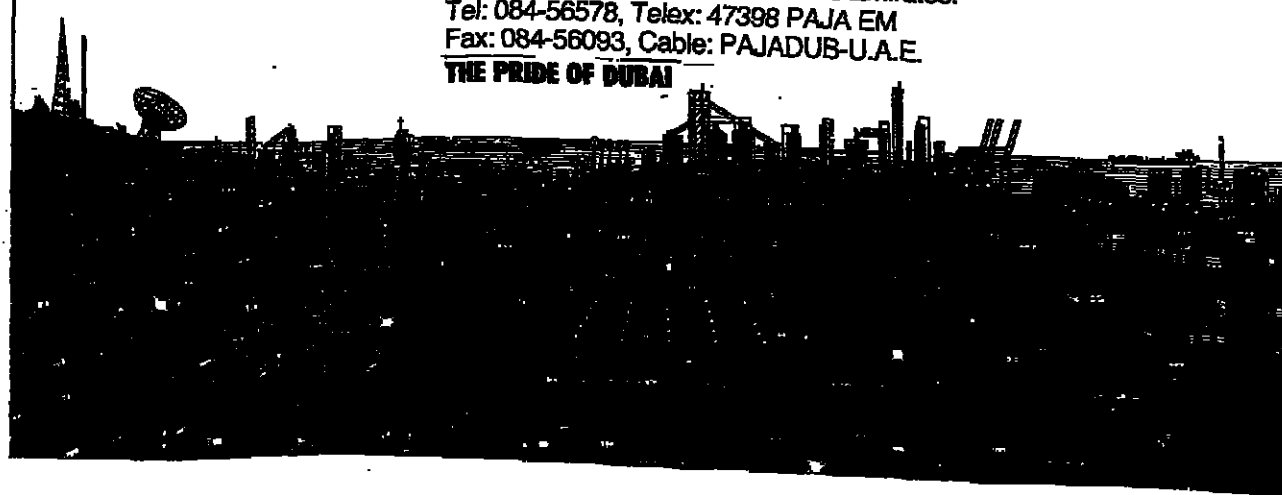
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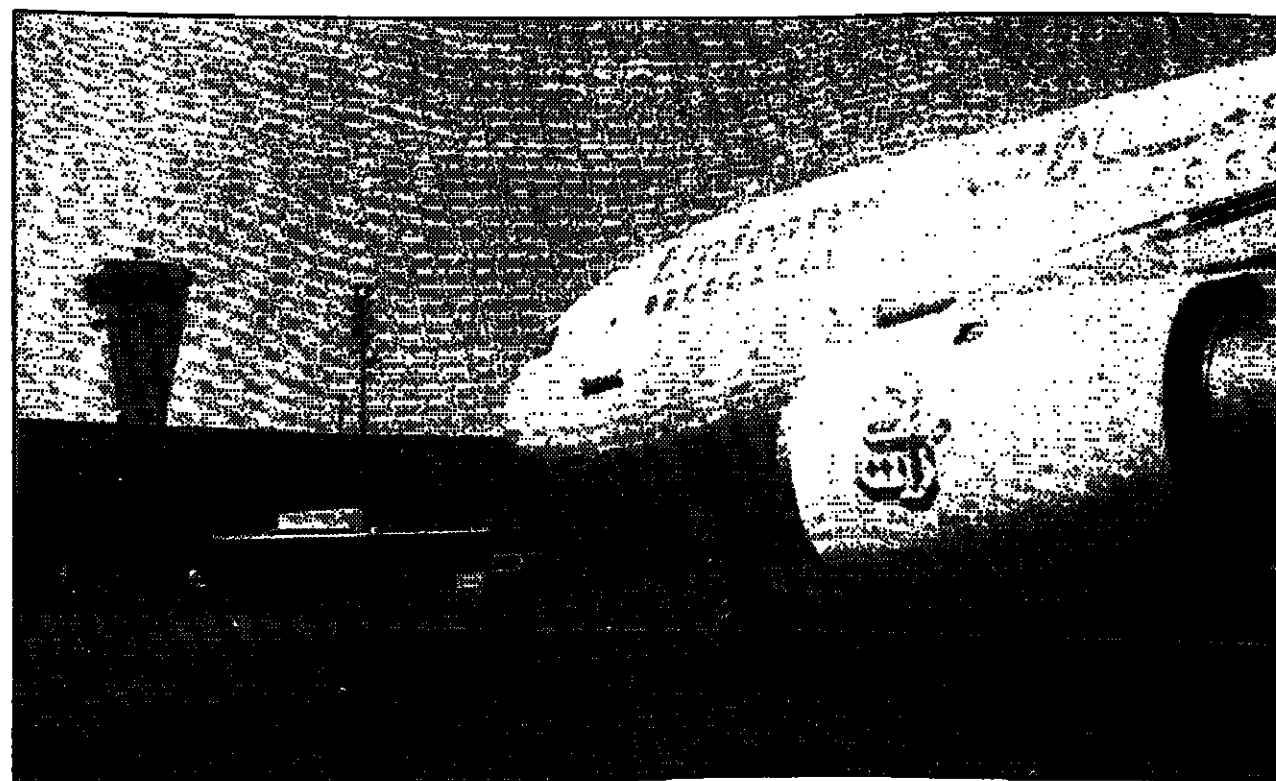
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An Airbus from the Emirates fleet at Dubai International Airport.

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Dubai International Airport has become one of the principal aviation hubs of the Middle East and now has a transit hotel within the main terminal. Future plans include building a \$70 million air-cargo terminal.

The service provided by the Department of Civil Aviation (DCA) has created a new experience in international air travel. Indeed, Mr. Mohi-Din A. Binhendy, director general of the DCA, has always liked to keep the airport one step ahead of the competition.

With its "open skies" policy Dubai has thrived and become a major aviation hub of the Middle East. Now there is talk of enlarging the airport and perhaps building a second airport opposite the existing one to cope with even greater demand in the next century.

In 1988, for the second consecutive year, the number of passengers using the airport exceeded 4 million — last year's total was 4.34 million versus 4.31 million in 1987. On average, the daily number of passengers reached 11,873, while a total of 49 airlines serving nearly 100 destinations used the airport.

Noted for its highly efficient handling of both passengers and cargo, the airport is also among the most pleasant to visit from a passenger's viewpoint. The average time taken to pass through immigration is generally claimed to be 12 minutes; in practice it is often less. The spacious passenger halls are clean, well-lit

and air-conditioned. Escalators and walkways make it easy to get around in the new arrivals terminal, and for those that have time to spare or discover they have forgotten to bring that last-minute gift, there is a special duty-free shop. This thoughtful facility provides a foretaste of the duty-free complex in the departure terminal, which has won global acclaim while setting new standards for the tax-free industry.

Apart from the new transit hotel, other facilities for travelers and businessmen include a VIP lounge, a CIP (commercially important person) lounge and a special one for Emirates, the Dubai-based airline. There is also a small conference room for the mobile executive who wants to schedule meetings that start from the moment of arrival. "Whatever the need, the DCA will try to provide," is Mr. Binhendy's maxim.

Duty free complex should top \$75 million in sales.

The duty-free complex in the departure terminal includes 28 shops and continues to be a worldwide

winner of industry and other awards. Readers of Business Traveler magazine voted it one of the top three duty-free operations in the world, and the Middle East Economic Digest recently voted it the best airport duty-free complex in the Gulf.

Since the new complex opened five years ago, sales have gone up by 230 percent and exceeded \$66 million last year. Sales this year are expected to top \$75 million. Gold is still the largest sales category, accounting for 20 percent in the form of gold bars, jewelry and recently introduced coins from Britain's Royal Mint.

Mr. Colin McCloughlin, general manager, and his two senior Irish managers, have long pursued a program of improvements to keep abreast of changing tastes and trends. The redesigned perfume shop helped push up its share of overall sales from 9 percent to 12 percent last year; the leather goods outlet has also been relocated and redesigned in an effort to attract more customers. "These steps in changing the look of the duty-free complex are forerunners to a new and exciting phase," comments Mr. McCloughlin.

Further Awards Won By Emirates

Last year, when Executive Travel magazine rated Emirates airline's business class among the top ten in the world, managing director Maurice Flanagan commented: "We strive to provide the highest quality service on all our routes, and it is particularly pleasing that our efforts have been recognized."

Emirates, the Dubai-based international airline of the UAE, is not only at the forefront of inflight service: its choice of super-fleet jetliners also placed it at the leading edge of aviation technology. Since the airline's inception in 1985, it has established a solid reputation for putting the needs of its customers first. "For one thing, we are the only airline serving the Gulf to offer a non-stop daytime flight on the Dubai-London route," says Mr. Flanagan.

After less than two years, the airline's cargo services — which form a vital part of Dubai's export business — have also been honored. This spring, Emirates was voted Cargo Airline of the Year for flights to the Middle East by leading industry magazines Air Cargo News International and British Shipper and Forwarder. In 1988, it was runner-up for the Cargo Airline of the Year award.

Emirates has already made a major impression on the lucrative Dubai-London route, where, according to some estimates, it carries at least 49 percent of the total passenger traffic. Meanwhile, on other international routes such as Frankfurt, Bombay, Karachi and Cairo, its share is rising rapidly.

A major breakthrough this year has been the opening of a twice-weekly service from Dubai to Jeddah in Saudi Arabia. The airline has been waiting for some time to get this route, which will be serviced by an Airbus A310-300. "Access to Jeddah is an exciting step: it's a key route and its acquisition will play an important part in Emirates' development," comments an Emirates executive.

Emirates received the first of its new, extended-range Airbus A300-600Rs last May. An additional two are scheduled for delivery next year and a fourth is due in 1991 to complement the existing fleet of two Airbus 310s and three Boeing 727s.

Commenting on the acquisition of Emirates' new A300-600, Sheikh Ahmed bin Saeed Al Maktoum, chairman of the airline, said it would open the way to major expansion in the future. "The A300-600 contains the very latest state-of-the-art technology and is perfectly suited to meet the requirements of



Emirates' Chairman, H.H. Sheikh Ahmed Bin Saeed Al Maktoum.

Emirates' rapid and continued growth."

With additional cargo capacity, the new aircraft carry 263 passengers — 28 in business class and 235 in economy. If this configuration is altered, the aircraft can also carry 18 passengers in first class, 42 in business class and 163 in economy, giving a large degree of flexibility.

When Emirates began, it only had three routes; today it has 13 and operates 120 flights a week. Mr. Flanagan says that he is now looking at the possibility of adding new destinations, which could in-

clude Nairobi, Khartoum, Bangkok and the Philippines. But the most likely new routing in the next five years is in the Far East, possibly Hong Kong, which Dubai perceives as its "twin" business city.

The airline has done well on its London and Frankfurt routes because the large expatriate population in the Northern Emirates finds its daylight service particularly attractive. In addition, to serve the needs of an estimated 22,000 Britons in the area, the airline offers a variety of incentive packages, such as weekend shopping trips to London and special trips during school holidays.

Emirates currently is offering a free economy-class return ticket with every fully paid business or first-class ticket between London and Dubai. Additional incentives include special hotel stopover and rental-car deals as well as a free pickup limousine car service for passengers within a 50-mile range of London's Gatwick Airport.

The Dubai-based holiday travel division offers a variety of inbound tours — desert safaris, camel racing and shopping expeditions — as well as packages to international destinations, including India, Turkey, Egypt and the Maldives in the Indian Ocean.

The growth of the local tourist trade is an additional reason for the overall increase in Emirates' traffic, particularly on European routes. Many major tour operators now include Dubai as a holiday destination in its own right, either as part of a two-center holiday package or as a stopover. The airline is preparing for further expansion, and Mr. Flanagan expects the number of tourists to more than double over the next two years. At present, an estimated 13,000 visitors arrive in the winter season, the main holiday period.

Adding to the Tourist Attractions

The latest addition to the leisure scene in Dubai is the recently opened Metropolitan Beach Club. Set on the shores of the Gulf, and conveniently close to the Emirates Golf Club, it's certain to attract the attention of tourists.

As part of the Al Habtoor Metropolitan Hotel, which lies on the main road between Dubai and Jebel Ali, the beach club is certain to prove popular with residents and tourists alike.

To date, despite its miles of rolling beaches, Dubai has boasted few waterside resort areas other than the Jebel Ali Hotel, noted for its excellent scuba diving, and the Chicago Beach Hotel.

The new Metropolitan Beach Club, managed by Mr. Mounir Tadros, has a restaurant, coffee shop and a variety of sporting facilities including an Olympic-sized swimming pool, squash and tennis courts, and a gymnasium.

A half-hourly shuttle bus takes guests from the Metropolitan Hotel, where a huge new \$3 million ballroom, the Al Andalus, has just been completed. The 960-square-

meter ballroom, said to be one of the largest public rooms in the Middle East, can seat 900 in dinner-dance style or 1,200 theatre style.

The hotel, like its Beach Club, is close to the golf course. It is a regular venue for numerous sporting events from volleyball to equestrian events and numbers the Summa Palace Chinese restaurant, one of the most popular in Dubai, among its other attractions.

Trade

Continued from Page 7

being spent on a variety of schemes to "green" the city with more trees and shrubs, as well as \$2.2 million that is being used to create a special botanical garden housing more than 50,000 varieties of plants.

Another major scheme to get the go-ahead is an \$85 million plan for a new beach improvement at Jumeirah. This had been on hold following a number of false starts, and will greatly add to the tourist attractions and facilities for a rapidly emerging new industry. Dubai is now taking tourism seriously, and a special committee has been formed representing Emirates airline, the hoteliers and other business inter-

ests to coordinate their commercial activities.

Dubai is rapidly becoming an important venue for a variety of international sporting activities from golf — the recently opened Emirates Golf Course has won global acclaim — to powerboat racing, chess, snooker and show jumping.

The International Trade Center too is attracting more visitors at its exhibitions and conferences. This year's air show was an unprecedented success, and last autumn's "Money" show, a new venture that created interest throughout the Gulf, will be repeated in December.

Dubai is now being recognized internationally as the foremost business gateway to the Gulf. Its enviable land, sea and air communications have contributed to its unrivaled position as an export and growing manufacturing center. Ma-

jor international groups like Ford U.S. and Japan's Sony Corporation already use Dubai as one of their principal warehousing and distribution centers.

The growth of Emirates, the Dubai-based international airline for the United Arab Emirates, is one of the aviation world's success stories.

At the port of Jebel Ali, already one of the biggest in the world with its 67 deep-water berths, major improvements are being made to cope with the expected increase in container traffic. Port Rashid is predicting a 20 percent rise in its cargo traffic over the next 18 months.

Conflicts come and go, oil prices may rise and fall, but Dubai's role as the region's leading business center continues to expand. No "red tape" anywhere, have created a business pulse that will continue to quicken as new opportunities arise.

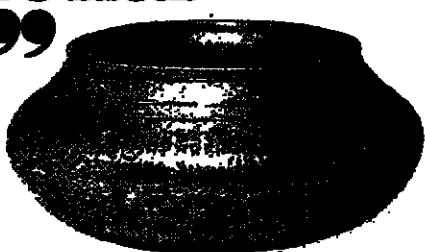
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Photograph above shows an ancient Arab boat. On the narrow band below the tip is inscribed: "Glory and prosperity and good fortune and worldly advancement and dignity and abundance and generosity and knowledge and forbearance", typifying Bank of Oman's philosophy.

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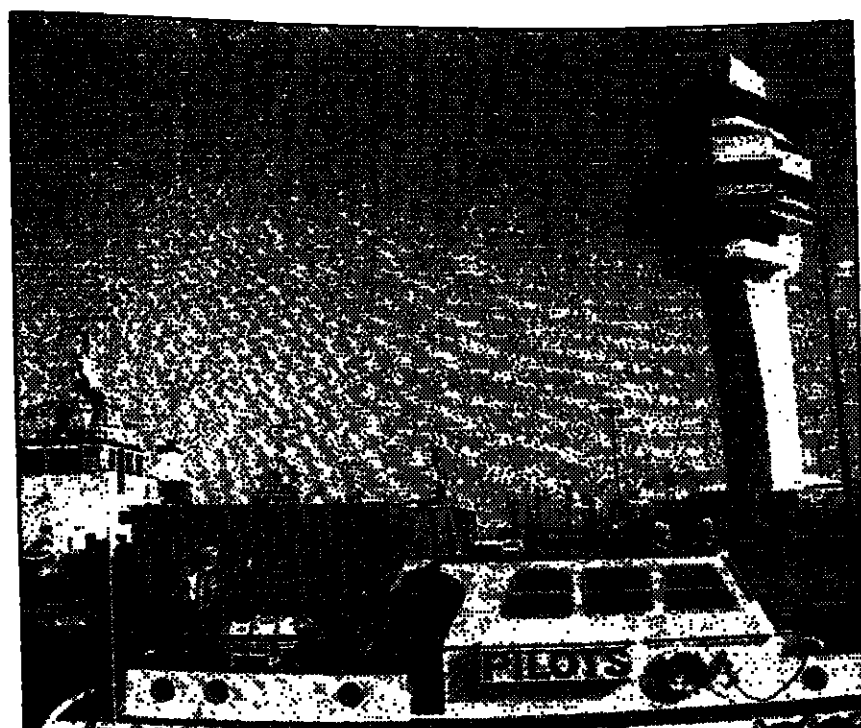


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ADVERTISING SECTION

ADVERTISING SECTION



The control tower at Jebel Ali Port.

Free Zone Investment Target: \$1 Billion by 1990

Companies within the zone are already exporting a bewildering array of products. In the past year alone, the number that either have licenses or are operating in the zone has doubled to 240.

The \$2.5 billion complex, which covers 25,000 acres, has attracted international names such as BP, Shell, Caltex, Union Carbide, Cleveland Bridge, Singer, 3M, Black & Decker and Safeway and Sony.

Sultan bin Sulayem, the 33-year-old chairman of the Free Zone Authority, now wants new investment to top the \$1 billion mark by 1990.

Ambitious plans are under way in the auto sector where, in addition to acting as Mitsubishi's local agent, the Al Habtoor group hopes to assemble a fleet of 12,000 Romaniansourced all-purpose vehicles for re-export. Leopard Cars from

As one of the world's fastest growing free zones, the Jebel Ali complex has already attracted investments totaling over \$600 million, and a further \$100 million should be added to the figure this year. The major attractions: unrivaled freedom to trade and a potential market of over one billion consumers.

Switzerland hopes to set up a similar operation with an upmarket 4x4 vehicle that will be built in its new \$15 million factory. An Indian-based joint venture involves Korea and a local company in plans to build a medical supplies factory. Indian companies are also involved in many of the zone's two dozen textile manufacturing operations. Jebel Ali is probably one of the most liberal-minded free zone authorities anywhere in the world. Apart from excellent communications and distribution facilities, one

of the main advantages that the Free Zone can offer is a complete lack of red tape.

Mr. Sulayem, who is very much the architect of this new phase in Dubai's free trade program, believes that long-term success can only be founded on a broad economic base. "That is why we chose to focus on international trade — it's so incredibly diverse in nature," he comments. "Free trade is the answer to a free-flowing global economy. International companies must find new ways to grow and

remain competitive, and they cannot succeed with a lot of bureaucratic restrictions."

He recently returned from one of Dubai's many trade promotional tours to Europe and, referring to the EC's desire to tap fresh markets through greater cooperation, and centralization, said: "What they hope to put in place in 1992 already exists here. But there is one major difference — in Dubai you do not have to wait three years to enjoy the benefits of that philosophy."

Mr. Sulayem clearly believes that Dubai will attract the attentions of more European companies seeking global opportunities. "Companies are going where the opportunities are, regardless of location. They are determined to minimize expenses and maximize productivity," he says. "The way to achieve that goal is to centralize operations in a free-trade, low-cost environment."

New Cranes to Boost New Container Traffic at Port

To deal with increased imports and exports, the Jebel Ali Port Authority will shortly take delivery of two more Hitachi container cranes to join the three it already has in service. Capable of lifting 30 metric tons each, they are due to arrive from Singapore in August.

"The new cranes will give a tremendous boost to our container facilities," says Sultan bin Sulayem, chairman of the Jebel Ali Port Corporation and Free Zone Authority. "We will be in a strong position to attract new shipping lines to Jebel Ali by offering some of the best handling facilities in the region."

Several shipping lines have already moved their operations to the port this year. These include the National Shipping Company of Saudi Arabia as well as the American Sea-

Jebel Ali Port is gearing up for increased business from the Free Zone's industrial and commercial companies. With 67 deep-water berths and a high-tech container handling terminal, the port anticipates a throughput of 250,000 TEU (twenty-foot equivalent units) containers this year.

land Services and Norsia, which now operate a joint Middle East service with a weekly service call to the port.

Last year marked a watershed in operations at the port. The sudden rise in activity stemmed partly from the Gulf War ceasefire and partly from the increased manufacturing and distribution demands of the industrial zone. Additional business was also won from other regional ports, which were working at near-peak capacity.

Fueled by strong industrial demand for raw materials such as cotton yarn, raw cotton and similar products from Egypt and elsewhere, total im-

ports through Jebel Ali rose by 115.8 percent over 1987 to 2.59 million metric tons last year. Exports also shot up by a healthy 47.5 percent.

In terms of value, imports registered a 62.8 percent increase to Dh 930 million (US\$253 million) while exports made a massive 122 percent leap to Dh 737 million. In terms of weight, more than 78 percent of all exports were petroleum products, bulk and general cargo accounted for 11.8 percent and containers comprised a little less than 10 percent.

Against this background, Jebel Ali Port is emerging as a major re-

gional hub. Ideally located for shipping lines operating between Europe, North America, the Indian subcontinent, the Far East and Australasia, it has been planned on a grand scale since its inception in 1976. Along with 67 berths that can cater to almost any type of vessel, a maximum dockside draft of 15 meters, and a total wharf length of 15 kilometers, it also boasts three berths with ro-ro facilities for car carriers and container vessels with stern ramps. Six transit sheds provide 48,000 square meters of covered storage, and a further 175,000 square meters of secured open

storage space is available.

Last year saw the opening of a 120,000-metric-ton capacity grain terminal. Owned by the Al Ghurair group, it is one of the largest in the Middle East and Asian subcontinent. DUBAL, the aluminum smelter, has its own terminal for unloading imported bauxite, and DUGAS has its special export terminal. Star Energy has recently completed an \$18.5 million, 300,000-cubic-meter capacity tank farm for different oil-related products. Under the terms of a recently concluded deal with Iraq, the new facilities will be used to stockpile approximately 1.2 million barrels of oil products.

The port also has a 42,000-cubic-meter cold store. One of the largest in the Gulf, it has nine separate chambers where temperatures can range from

13°C to -29°C. In addition, the 4,000-square-meter cold store is in constant demand for perishable products from companies such as 3M, Rothmans and Agfa.

Along with its capacity to handle bulk cargoes, another of the port's major attractions is its proximity to Dubai's International Airport. The seaport and airport are separated by a 40-minute drive, a major reason why the latter is set to become the principal sea-air cargo hub for the Middle East. Some 112,000 metric tons of sea-air cargo are already handled from Jebel Ali and Port Rashid annually.

A new air cargo terminal planned for the airport will increase the emirate's potential sea-air cargo handling capacity to 250,000 metric tons. The project, should be completed in about two years. Sea-air cargo is now the fastest growing sector of the cargo market and is of vital importance to Dubai, where much of the cargo handled is light, high-value products.

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Power and Water Supplies Set to Grow

Following increased industrial and domestic demand, major moves are under way to step up the production of power and desalinated water.

Dubai, which has been installing a new steam cycle at its electricity generating power plant, last year produced 8.8 billion gallons of water, including 23.4 million gallons a day for Dubai municipality. The record demand for a single day was more than 31 million gallons.

Relying on natural gas from Dubai Natural Gas Company (DUGAS) as its

As the primary energy source for low priced electrical power, the Emirate's plentiful supply of cheap, natural gas also drives the power stations that provide it with desalinated water.

primary energy source, the power station increased its output to 369 MW to meet the growing demands of the Dubai Electricity Company (DEC) and industrial users in the Jebel Ali Free Zone. Following some initial delays, Dubai's new extended power plant is also due to come

into operation shortly. DEC's newly commissioned 400 MW power station at Al Mazar, between Dubai and Sharjah, will also have a desalination plant capable of producing 56 million gallons daily. It will use about 200 million cubic feet of natural gas a day.

While the first two gas

turbines for the new power station are expected to come into operation in June 1991, the rest of the plant is scheduled for completion in 1992. They will supplement DEC's own Jebel Ali power station extension, Station "E", which will add another 227 MW to the existing 650 MW supplied by eight steam and two gas-driven turbine-generators. An additional desalination plant at Station "E" will become operational in about 18 months. DEC currently provides about 90 percent of Dubai's total energy needs and 40 percent of all desalinated water.

The primary energy source for both Dubai and DEC's plant is the natural gas provided by DUGAS, which receives its supplies from the Fateh, Southwest Fateh and Rashid Fields. Three years ago a 47-mile-long, 24-inch-thick pipeline was completed to provide gas from Sharjah's Sajaa Field. This brings "untreated" gas to DUGAS's processing plant at Jebel Ali.

DUGAS, which has an operating agreement with Scimitar Oils, has invested more than \$450 million in its processing facilities and can handle more than 7 million cubic feet of gas a day. At Jebel Ali it has a major storage facility for natural gas liquids and a special terminal, which can accept LPG tankers of up to 60,000 dwt.

The company also provides the government-owned Emirates Gas Bottling Company (EMGAS) with piped supplies for conversion into propane, butane and LPG.

As well as providing natural gas for the emirate's own needs, DUGAS is now building a new pipeline linking the Margham gas field with its Jebel Ali terminal. Its primary purpose will be the export of natural gas liquids (NGL) after processing. DUGAS produces about 600,000 metric tons of NGL a year and has a surplus capacity to process another 100 million cubic feet of natural gas a day.

This advertising section was written by Lee Voysey.

"1988 has been both a significant and successful year in the Bank's history".

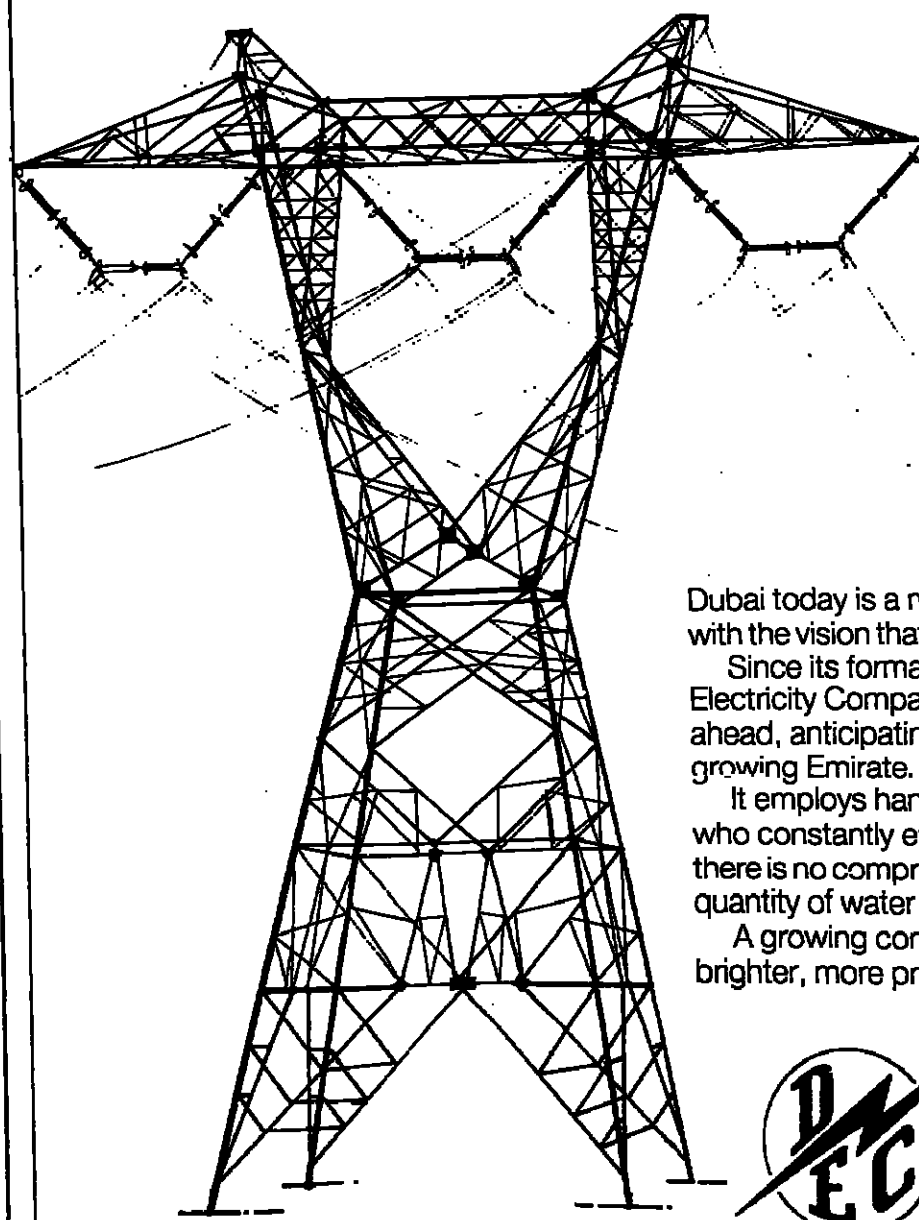
H.E. Ahmed Humaid Al Tayer
Chairman

	1987 (Dhs Millions)	1988 (Dhs Millions)	% Change
Total Assets (including Contra)	6,598	7,142	+ 8
Net Profit	31.4	60.3	+ 92
Total Shareholders' Funds	532	558	+ 5

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By ANISE C. WALLACE

See BONDS, Page 15

See CHIPS, Page 13



Prudential called off its plan to purchase the entire firm, which could have created the

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Sources: Reuters, Bank of Tokyo, Commercials, Credit & Finance.

closing prices; New York spot market closing prices in U.S. \$ per ounce.

Source: Reuters.

SOURCE: MEMPHIS 7

154 branch offices and 2,000 brokers.

NYSE Most Actives					
Vol.	High	Low	Last	Chg.	
Marion	5877	5877	5877	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	

Market Sales					
NYSE 4 a.m. volume	131,965,000				
NYSE 4 a.m. close	131,965,000				
NYSE 4 a.m. open	131,965,000				
NYSE 4 a.m. high	131,965,000				
NYSE 4 a.m. low	131,965,000				
NYSE 4 a.m. volume	131,965,000				
NYSE 4 a.m. close	131,965,000				
NYSE 4 a.m. open	131,965,000				
NYSE 4 a.m. high	131,965,000				
NYSE 4 a.m. low	131,965,000				

NYSE Index					
Composite	131,965,000				
Utilities	131,965,000				
Industries	131,965,000				
Finance	131,965,000				
Transport	131,965,000				
Health	131,965,000				
Technology	131,965,000				
Energy	131,965,000				
Real Estate	131,965,000				
Commodities	131,965,000				

Monday's NYSE Closing					
Open	131,965,000				
High	131,965,000				
Low	131,965,000				
Last	131,965,000				
Chg.	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				

AMEX Diary					
Advanced	131,965,000				
Declined	131,965,000				
Unchanged	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

NASDAQ Index					
Composite	131,965,000				
Utilities	131,965,000				
Industries	131,965,000				
Finance	131,965,000				
Transport	131,965,000				
Health	131,965,000				
Technology	131,965,000				
Energy	131,965,000				
Real Estate	131,965,000				
Commodities	131,965,000				

AMEX Most Actives					
Vol.	High	Low	Last	Chg.	
Marion	5877	5877	5877	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
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IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	
IBM	1210	1210	1210	0	

Dow Jones Bond Averages					
Close	131,965,000				
Chg.	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				

NYSE Diary					
Advanced	131,965,000				
Declined	131,965,000				
Unchanged	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

Odd-Lot Trading in N.Y.					
Buy	131,965,000				
Sell	131,965,000				
Total	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

Dow Jones Averages					
Open	131,965,000				
High	131,965,000				
Low	131,965,000				
Last	131,965,000				
Chg.	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

Standard & Poor's Index					
Advanced	131,965,000				
Declined	131,965,000				
Unchanged	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

NASDAQ Diary					
Advanced	131,965,000				
Declined	131,965,000				
Unchanged	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

AMEX Stock Index					
Advanced	131,965,000				
Declined	131,965,000				
Unchanged	131,965,000				
Total Issues	131,965,000				
New Issues	131,965,000				
Volume	131,965,000				
Turnover	131,965,000				
Unsettled	131,965,000				
Total Issues	131,965,000				

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Ends Its Winning Streak

United Press International

NEW YORK — Stock prices closed narrowly mixed Monday in slow trading, snapping the market's longest winning streak since January 1987, as the Dow Jones industrial average ended with a loss for the first time this month. The industrial average, which rose 16.50 points Friday and nearly 67 points last week, slipped 1.33 to close at 2,533.49.

The broader market averages, however, managed to keep their perfect July performances alive. The New York Stock Exchange composite index rose 0.31 point to 185.37 and Standard & Poor's 500-stock index rose 0.60 to 332.44.

The price of an average share gained 6 cents. Advances edged declines by a narrow margin. Volume on the Big Board slowed to about 131.9 million shares, compared with about 183.5 million shares traded Friday.

Ralph Bloch, chief market analyst at Raymond, James & Associates in St. Petersburg, Florida, said it was not surprising for volume to drop off after the market's nine-session winning streak and the temptation to take profits.

"The market is showing signs that breadth is lagging," he said.

Mr. Bloch said investors were reluctant to participate ahead of the U.S. merchandise trade report for May, due out Tuesday, and the Consumer Price Index report for June, due out Wednesday.

He said the market also was eager to hear from Federal Reserve Board Chairman Alan Greenspan, who is scheduled to testify before Congress later in the week.

"Another thing we have to keep in mind is

second-quarter earnings," Mr. Bloch said, noting that earnings reports are beginning to flood the market. "We could see some portfolio managers selling into decent earnings news."

On the NYSE, Marion Laboratories was the most active issue, jumping 8 1/4 to 33 1/4. Dow Chemical said the two companies had reached an agreement in principle in which Marion would be combined with a Dow subsidiary.

Warner Communications followed, gaining 1 1/4 to 63 1/4. Time Inc. said Monday it had extended the expiration of its \$70-a-share tender offer for 100 million shares of Warner until July 24. Time fell 4 1/4 to 14 1/4.

The Delaware Chancery Court Friday rejected a request by Paramount Communications Inc. to block Time's \$14 billion offer for Warner. Paramount dropped 1 1/4 to 56 1/4.

Computer Associates was the third-most active issue, up 1/4 to 17 1/4.

AT&T was unchanged at 36 1/4. IBM rose 1/4 to 116.

Among the other blue chips, General Electric was unchanged at 54 1/4, American Express was off 1/4 to 34 1/4, Woolworth was down 1/4 to 54 1/4, Merck was up 1/4 to 72 1/4, Sears was off 1/4 to 44 1/4, and Union Carbide was up 1/4 to 28 1/4.

Prices closed higher in moderate trading on the American Stock Exchange.

The Amex Market Value index rose 1.43 to close at 369.55, its fourth consecutive all-time high. The price of an average share gained 6 cents.

Advances led declines by about a 3-2 margin. Volume totaled about 113 million shares, roughly comparable to Friday's volume.

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17 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Stock	Div	Yld	PE	Ratio
IBM	1210	1210	1210	0										
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17 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Stock	Div	Yld	PE	Ratio
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17 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Stock	Div	Yld	PE	Ratio
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17 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Stock	Div	Yld	PE	Ratio
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FINANCIAL MARKETS

Dollar Finishes Mostly Weaker

NEW YORK — The dollar finished weaker Monday against most major currencies, but continued to climb against the yen in quiet trading before the release of U.S. trade data on Tuesday.

The U.S. currency closed near the lower end of its daily range, as the market awaited direction from the trade report.

A survey of economists and analysts shows a forecast average June trade deficit of about \$9.2 billion, which would mark a considerable widening from the \$8.26 billion deficit reported for May. Analysts saw a trade gap in the range of \$8.5 billion to \$9.5 billion as neutral for the dollar.

Dealers said the dollar could reverse its weekend rise if the figures are worse than expected.

The U.S. currency, which rallied in New York at the end of business last week, closed at 1.9035 Deutsche marks, down from 1.9120 DM at Friday's close, and dropped to 1.6448 Swiss francs from 1.6520. It

London Dollar Rates

Currency	Mon.	Fri.
Deutsche mark	1.9035	1.9120
Swiss franc	1.6448	1.6520
Japanese yen	141.42	141.35
French franc	1.4950	1.4930
Source: Reuters		

also weakened against the British pound, which advanced to \$1.6145 from \$1.6163.

However, the dollar firmed sharply against the yen, extending Friday's gains, to close at 141.42 from 140.90 at the previous close and after a high during trading of 142.05.

Elsewhere, the U.S. unit fell to 6.4565 French francs from 6.4855 and to 1.1906 Canadian dollars from 1.1912.

In London, the dollar firmed to close at 1.9075 DM and 141.55 yen, against 1.8995 and 140.35 on Friday. The pound weakened to \$1.6140 from \$1.6150 on Friday. The dollar also finished at 1.6505

Swiss francs, up from 1.6385 francs, and at 6.4665 French francs, up from 6.44.

Bank of Japan sales of dollars for yen during Tokyo's trading period did little to block the dollar's rise. The yen has weakened in the period before an election on Sunday for Japan's upper house of parliament, in which the ruling Liberal Democratic Party is expected to suffer heavy losses.

In Tokyo, a Bank of Japan source told reporters on Monday that the central bank did not expect the dollar to go on rising. It would decline as U.S. credit policy was eased, he added.

Although the London market was awaiting the U.S. trade figures, currency dealers did not expect the statistics to have much impact unless the numbers differ significantly from expectations.

The trade shortfall, which totaled \$119.76 billion in 1988, shrank 12.6 percent in the first four months of this year as the export sector powered an otherwise listless economy.

Economists predicted that the May gap would widen to about \$9 billion from \$8.26 billion in April. One trader in New York said statements emerging from the weekend summit of the Group of Seven industrialized nations in Paris were positive for the dollar, but because of the U.S. currency's rally last week many investors were reluctant to buy.

Inventories Show Slower U.S. Growth

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. business inventories rose 0.7 percent in May while sales were flat, the government said Monday, providing signs of slackening economic growth.

Inventories rose to \$776.9 billion, adjusted for seasonal factors but not inflation, the Commerce Department said. The increase follows a 0.8 percent advance during April.

The value of May inventories was 8.1 percent higher than in May 1988, but rising prices accounted for part of that increase. Stocks of durable goods, items meant to last at least three years, rose 0.8 percent during May. Non-durables climbed 1.5 percent.

Business sales, meanwhile, increased a minuscule 0.02 percent, to a seasonally adjusted \$517.9 billion. The ratio of inventories to sales edged up to 1.50, meaning it would take 1.5 months to exhaust inventories at the May sales pace.

The value of inventories at department stores was up 2.4 percent, while the increase at general merchandise stores was 2.2 percent.

(UPI, AP)

Chase Profit Drops 39%, Other Banks Fare Better

NEW YORK — Chase Manhattan Corp., the second-largest U.S. bank group, announced Monday a 39 percent drop in its second-quarter earnings, to \$137 million from \$224 million, in a round of reporting by major banks that showed a mixed picture.

Chase, parent of Chase Manhattan Bank, said earnings per share fell to \$1.31 in the three months ended June 30, from \$2.45 a year earlier, because of lower noninterest income, higher expenses and problems with loans to debtor nations.

Noninterest operating income fell to \$491 million from \$569 million; the 1988 totals included \$121 million from the sale of Chase's stake in Citi Chemical Inc.

Net interest income rose 1.2 percent to \$791 million, including \$36 million in pretax Brazilian interest payments. But the nonaccrual status of Argentinean loans reduced pretax earnings by \$21 million. J.P. Morgan & Co., the fourth-largest bank group, also reported lower earnings, down 9.8 percent due to lower interest income and heavy charges against credit-loss allowances.

The parent of Morgan Guaranty Trust Co. earned \$206.3 million, or \$1.09 a share, in the quarter, down from \$229 million or \$1.23 a year earlier. Net interest income fell \$67 million to \$316 million.

In addition, the bank incurred \$139 million in net charges against its allowance for credit losses — \$131 million of which was related to outstanding loans for Argentina and other debtor nations.

Security Pacific Corp., the big California bank group, reported a 20 percent jump in second-quarter profit, to a record \$184.5 million or \$31.58 a share, from \$154.3 million or \$26.36 a year earlier.

The bank drew strength from its California and Washington banks and its financial-services system. Net interest income rose 11 percent to \$732.2 million, reflecting higher earning asset levels and higher margins. Domestic loan growth was helped by the bank's purchases of Hibernia Bank and Nevada National Bancorp.

Noninterest income rose nine percent to \$449.7 million. First Chicago Corp. announced a 22 percent rise in second-quarter operating income, aided in part by gains in noninterest income.

The earnings, which include tax benefits, rose to \$179 a share from \$162 a year earlier. Total net income rose to \$134.4 million from \$122.9 million a year earlier, but fell on a per-share basis to \$1.98 from \$2.02 because of an increase in outstanding shares and the loss of some tax benefits.

BONDS: Bulls Expect Long Rally

(Continued from first finance page)

Association, according to the Investment Company Institute, a Washington trade group.

Professional money managers were just as unimpressed for the sudden rally. In May, the portfolio managers of bond mutual funds had their highest cash levels since 1984, according to the investment institute. A weekly poll of 50 portfolio managers by C.J. Lawrence indicates that institutional bond managers have not invested all of their available cash and that they

maneuver that are lower than the managers' so-called benchmark. This study indicates that the money managers' investment returns probably are lagging behind the market indexes and that they may feel pressure to buy more bonds.

"People who have been left out will look for opportunities to get in," Mr. DiClemente said.

There are some signs that new buying may have begun already. Because short-term yields also have fallen — though not as much as those on the long bond — at some

firms individual investors are beginning to move back into bonds.

Investors are starting to move out of short-term funds and into long-term bond funds that offer greater price appreciation.

As a result of the decline in short rates, investors directed \$12 million in new cash into the IDS Bond Fund in June.

Ironically, one of the few sectors of the bond market where individuals have invested has been one of the worst performers.

For the first half of the year, investors bought \$850 million in shares of high-yield, or "junk," bond mutual funds, according to the investment institute. But in the first half of this year the average junk bond had a total return of 4.6 percent while the average U.S. government bond fund advanced 8.25 percent.

Strategists and money managers say that the returns from junk bonds are likely to trail those from high-quality issues. They expect that a slowdown in the economy will probably make it harder for these highly leveraged companies to meet their debt payments.

Monday's NASDAQ Prices

Prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 100 most traded securities in terms of dollar volume. It is updated twice a year.

Via The Associated Press

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World Stock Markets

Via Agence France Presse. Closing prices in local currencies, July 17

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SPORTS

Danger Zone: British Open Course

'Hogbacked' Fairways and Stormy Weather Will Test Skill

By Gordon S. White Jr.
New York Times Service

The Royal Troon Golf Club motto is: *Tam arde quam mare*. That Latin phrase could be used for most golf courses because it means: As much by skill as by strength.

But Arnold Palmer, winner of the British Open at Troon in 1962, recently pointed out that the skill of the straight drive is so much more important at Troon than the simple, all-out strength needed for extra long drives.

The 59-year-old Palmer will play in but not be any threat to win the 118th British Open, to be held on the 7,097-yard (6,489-meter), par 72 Troon links Thursday through Sunday.

Through the years when I've played championships there, if it is wet the golf course plays one way, Palmer said recently. "But if it is dry the golf course plays a whole different ball game. That's because the fairways are hogbacked, rolling off a center spine to right and left."

"And if they have gale-force winds, it's by far the most difficult golf course... You're sitting there with nothing to protect you. There are no sand dunes, no trees. It's just flat nothing. It's right on the bay."

Palmer won the British Open twice, taking the 1961 title in a violent storm at Royal Birkdale and the 1962 championship in much calmer weather at Troon.

All 18 holes at Royal Troon are close to the Firth of Clyde, a bay

BRITISH OPEN PREVIEW

off the Irish Sea. Troon sits on the Scottish west coast just south of Glasgow.

None of the other seven or eight links courses used regularly for the British Open have all 18 holes so close to the shore. And none may be as unprotected from the elements of an ocean storm as Royal Troon.

This week marks Palmer's fourth British Open at Royal Troon. The Troon storm he remembers hit during the 1973 British Open won by Tom Weiskopf and the 1982 Open won by Tom Watson.

"Because those fairways are hogbacked you have to drive straight," Palmer said.

"It was dry in 1962 and the ball was really bouncing. When I won the British Open there I smacked some of the best tee shots I've ever hit in my life. Because I was able to

hit it right in the middle of the hogback. At least I did most of the time. If I went left or right it was not far enough to roll into the rough."

Troon has the longest hole in British Open competition, the 577-yard sixth. But since it is on the outgoing nine, that hole plays downward under normal conditions.

Troon also boasts the shortest hole in British Open play, the famous eighth hole, known as the Postage Stamp because of its tiny green. This 126-yard hole is where Gene Sarazen got a hole-in-one at age 73 during the 1973 Open championship and where a West German amateur, Hermann Teske, took a 15 in the 1950 British Open.

The most difficult holes are, as usually is the case with a links course, on the prevailing upwind nine. (See Scoreboard for a full hole-by-hole description.)

In Troon's case this is the back nine. Some pros, among them Lee Trevino and Jack Nicklaus, have said they believe Troon's back nine to be the most difficult in British Open play.

But then many pros were saying that of the Royal Lytham St. Annes back nine last year when the Open

was held there and Seve Ballesteros won.

Palmer laughed and said: "Well, where are they playing the British Open this year? That's the most difficult back nine in Open courses — this year's back nine."

"I think you can get a good start on the early holes. It doesn't mean you have to make birdies. It means you just can avoid making bogeys. Then there's a par 5 at the fourth that's a reasonable hole to pick up a birdie and protect yourself."

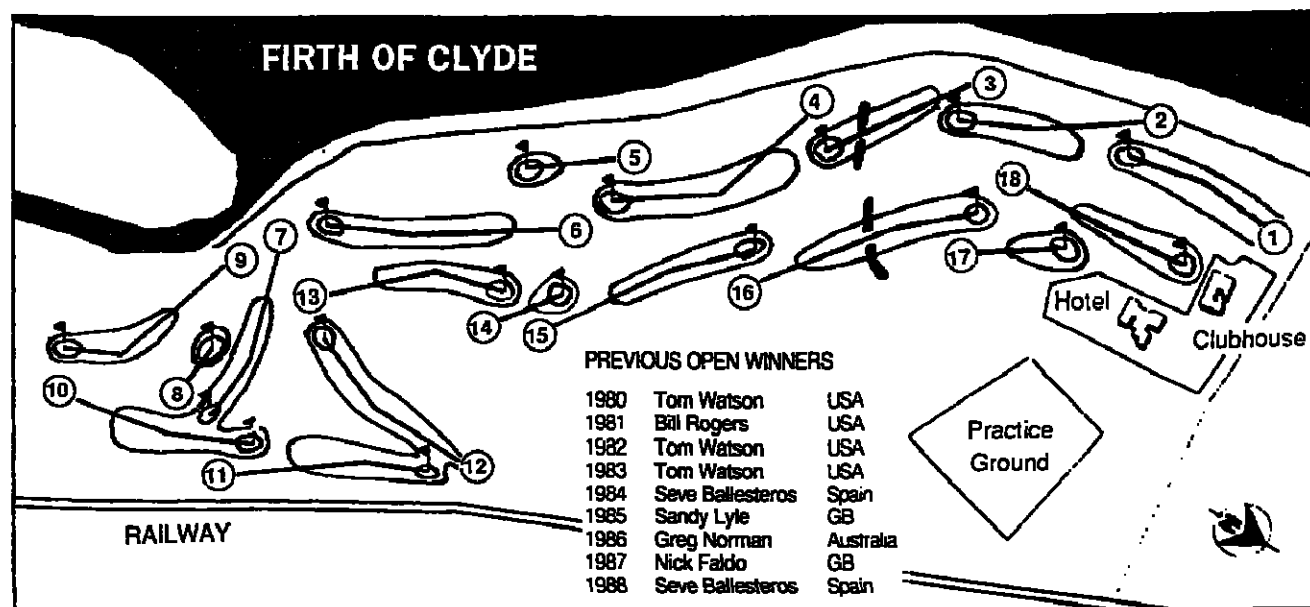
"Then you go eight and nine and they are no big shakes, just modest holes."

"But then comes the turn. Look out. Ten coming back. I think, it is one of the most treacherous holes on the golf course."

If the left is used at the par-4, 385-yard 10th, the drive is a blind tee shot over a high dune to a fairway running at an angle of about 20 degrees left of where a golfer is facing on the tee.

"It has that blind shot," Palmer said. "And it's a hard tee shot to pick up where you want to hit it. Getting it into position is very, very important."

"Then I might be played as par 4," he said of the par 5, 481-yard hole. "They change it from time to



HOLE	1	2	3	4	5	6	7	8	9	OUT	10	11	12	13	14	15	16	17	18	IN	TOTAL
YARDS	364	391	379	585	210	577	402	126	423	349	438	481	431	465	179	457	542	223	452	3688	7097
PAR	4	4	4	5	3	4	3	4	4	3	4	5	4	4	3	4	5	3	4	36	72

time. I played it as a par 5 when I won and I played it with two 1-irons. It's the railroad hole. You can really get in trouble there. Jack made an 11 there."

The railroad runs hard by the right side of 11 and out of bounds is over there by the tracks. It is a tight hole.

Troon is a wonderful old golf course that will really test the pros if a storm hits. And there has been a severe storm one day in each of the last four British Opens.

Trying to pick a winner of the British Open at Troon, Palmer said: "I can say that it will be a good golf course for Curtis Strange."

as well as the others. Of course, he could well stick with the 1-iron."

What Palmer calls "my love affair with the British press" will continue all week. And it will be highlighted Tuesday night when he is to be the guest speaker at the annual dinner of the Association of Golf Writers.

Umpires Make Orioles Happy and Angels Furious

Compiled by Our Staff From Dispatches

A week to the day after umpires had made Frank Robinson mad enough to spit, if not quit, the shoe slipped onto the other side's foot.

Mickey Tetelton was credited with a game-winning double Sunday.

BASEBALL ROUNDUP

Play when he laced a ball over or around the first-base bag in the 11th inning, scoring Cal Ripken from first base and giving the Orioles their third victory, 3-2, in a four-game series with the California Angels in Baltimore.

On Saturday, Mike Devereaux had poked an improbable game-winning home run around, under or through the left-field foul pole for an 11-9 comeback victory.

Television replays were incon-

clusive, although it would be hard to make that case with Doug Rader, the Angels' manager.

"It was a joke," he said of the Saturday call.

Rader might have been the first guy out to argue with Larry Young, the umpire, on Sunday's call except that he already had been ejected. In fact, he saw none of this game, having been escorted off the field shortly after making a rare pregame appearance to deliver his team's lineup card.

Moments after he gave it to Ken Kaiser, another umpire, he was standing toe-to-toe with Kaiser and soon was invited to watch the rest of the afternoon's festivities from the visiting clubhouse.

"You could say I had a premonition that might happen," Rader said. "I had a good idea I wasn't going to see all of this game."

Sunday's game was another dandy between the American League's division leaders. The Angels twice left the bases loaded, and California's Jack Howell looped in a game-tying opposite-field hit in the top of the ninth.

The Baltimore clubhouse remained almost calm after yet another dramatic victory. "I can't say we surprise ourselves anymore," Tetelton said. "When we come to the park, we expect to win. That's how much our confidence has grown this season."

After seeing their lead in the American League East shrink to 4½ games on Thursday, the Orioles (51-38) have gotten it back to six games. Meanwhile, the Angels can see the Oakland Athletics in their rearview mirrors, as Sunday's loss put the A's within a half-game of first place.

"These are three real big wins," Robinson said. "We come in here against the team with the best record in baseball and get blown out the first night. You never know



Texas's Sam Sosa flies home over Joel Skinner, Cleveland's catcher, but his team fell, 11-5.

how you're going to react after three days off and I'm sure a lot of people said, 'Oh oh, here they go.'"

Twins 4, Red Sox 3: In Minneapolis, Tim Lincecum hit a two-run single in the 11th after Boston's Mike Greenwell hit a home run with two outs in the ninth to send the game into extra innings.

White Sox 2, Brewers 0: In Chicago, Rich Dotson didn't allow a hit for five innings, and the White Sox scored in the third inning on Ivan Calderon's RBI single and right fielder Mike Felder's throwing error.

Expos 6, Reds 3: In a National League game in Cincinnati, the Expos and Reds combined for six er-

rors, 17 walks, two wild pitches, a passed ball and 26 strikeouts to what Montreal's Ois Nixon described as an "ugly ballgame." Nixon hit a two-run double in the 12th to cap a three-run rally.

Giants 3, Pirates 1: In San Francisco, Scott Garretts came off the disabled list to pitch six innings of two-hit ball. The Giants broke a 1-1 tie in the fourth off an RBI single by Pat Sheridan. Will Clark added a run-scoring single in the fifth.

Dodgers 3, Cardinals 2: In Los Angeles, Jeff Hamilton hit a two-run triple to key a three-run second. Tim Lincecum, the Dodgers' pitcher, escaped a bases-loaded jam in the third by striking out

Vince Coleman and Milt Thompson and retiring Orville Smith on a fly ball. Coleman stole his 40th and 41st consecutive bases this season.

Braves 6, Mets 2: In Atlanta, the Braves' Darrell Evans hit the 40th and 40th home runs of his career, breaking out of a slump with Duke Sanders for 21st on the all-time list. Evans, at 42 the oldest player in the National League, remains behind Billy Williams, 20th all-time with 426.

Padres 4, Cubs 3: In San Diego, Tim Lincecum's pinch-hit sacrifice fly with the bases loaded in the sixth clinched a two-run rally.

GOLF

World Rankings

(Based on average points per tournament. Points determined over past 3 years by event played, status of field and strength of field. Positions approved by Royal and Ancient Golf Club of St. Andrews, Scotland.)

Rank	Name	Points
1	Seve Ballesteros (Spain)	18.0
2	Nick Faldo (Britain)	15.0
3	Greg Norman (Australia)	14.0
4	Curtis Strange (U.S.)	13.0
5	Tom Watson (Britain)	12.0
6	John Mahoney (Australia)	11.0
7	Tom Kite (U.S.)	10.0
8	Sandy Lyle (Britain)	9.0
9	Jose Maria Olazabal (Spain)	8.0
10	Paul Azinger (U.S.)	7.0
11	Mark Calcavecchia (U.S.)	6.0
12	Mark O'Meara (U.S.)	5.0
13	Payne Stewart (U.S.)	4.0
14	Fred Couples (U.S.)	3.0
15	Sam Snead (U.S.)	2.0
16	David Frost (South Africa)	1.0
17	Mark McCumber (U.S.)	0.5
18	Larry Nelson (U.S.)	0.5
19	Ken Green (U.S.)	0.5
20	Bernhard Langer (West Germany)	0.5

British Open Hole-By-Hole

Description of each hole in the 118th British Open golf championship starting Thursday at the par-72, 7,097-yard (6,489-meter) Royal Troon Golf Club in Troon, Scotland.

No. 1 — 364 yards, par 4 (Slope): One of the easier opening holes in championship golf. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 2 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 3 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 4 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 5 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 6 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 7 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 8 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 9 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 10 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 11 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 12 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 13 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 14 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

No. 15 — 379 yards, par 4 (Slope): Dish on the left and right of the hole. The hole is flanked by two bunkers, one on each side of the green. The green is surrounded by a deep bunker on the left and a shallower one on the right.

NHL Star to Play Hockey in France

The Associated Press

PETERBOROUGH, Ontario — The Montreal Canadiens captain, Bob Gainey, said Monday that he had signed a two-year contract to serve as player-coach with the Espérance de la France, a French second-division hockey club.

"As a player, I'll be expected to be the team's dominant player on the ice," Gainey said. "As a coach, I'll be expected to teach the players, help them improve..." Gainey had 239 goals and 262 assists in 1,160 games for Montreal.

SOCCER

Argentina 1, Uruguay 0
Brazil 1, Uruguay 0
Costa Rica 1, El Salvador 0

TRANSITION

Baseball
Chicago — Activated Eric King, pitcher, from 15-day disabled list. Sent John Davis, pitcher, to Vancouver, Pacific Coast League.

Cleveland — Activated Tom Candiotti, pitcher, from 15-day disabled list. Released Rick Wilder, pitcher, to Colorado Springs, Pacific Coast League.

National League
Los Angeles — Recalled Roman Hamersley, pitcher, from Albuquerque, Pacific Coast League. Activated Mariano Duncan, infielder, on 15-day disabled list. Released Ricky Horton, pitcher, to Colorado Springs, Pacific Coast League.

San Francisco — Activated Albie Hernandez, pitcher, from 15-day disabled list. Released Rick Wilder, pitcher, to Colorado Springs, Pacific Coast League.

Pittsburgh — Activated Jeff Hulen, infielder, on 15-day disabled list. Released Jeff Hulen, infielder, on 15-day disabled list.

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SIDELINES

Federation Cup Is Set for Tokyo

TOKYO (UPI) — A record 41 nations, including the top-rated United States and defending champion Czechoslovakia, have entered the \$324,500 Federation Cup tennis tournament, the women's version of the Davis Cup, to be held in Tokyo Oct. 1-8, organizers announced Monday.

The top 10 players in the world, led by Wimbledon champion Steffi Graf of West Germany, have been nominated to play for their respective countries.

The United States which has nominated Martina Navratilova, Chris Evert, Zina Garrison and Pam Shriver, will be the No. 1 seed, followed by Spain, Czechoslovakia, Bulgaria, West Germany, Argentina, the Soviet Union and Italy.

Betsy King Wins U.S. Open Golf

LAKE ORION, Michigan (AP) — Betsy King shook off her late third-round collapse with birdies on three of the first four holes Sunday and won her first U.S. Women's Open championship by four strokes over Nancy Lopez. King finished at 6-under-par 278. Lopez finished at 282.

Mike Donald sank a seven-foot putt for a birdie on the first playoff hole Monday — the fourth for the tournament — to win the rain-extended Anheuser-Busch Golf Classic in Williamsburg, Virginia, and claim his first victory in 10 years on the PGA Tour. (UPI)

NHL's Rangers Name Manager

NEW YORK (AP) — The New York Rangers ended seven weeks of front-office turmoil Monday by naming Neil Smith as their new general manager. Smith, 35, replaces Phil Esposito, who was fired on May 24 — 7½ weeks after Esposito fired Michel Bergeron and took over as coach with two games left in the regular NHL season.

Smith, the ninth general manager in Rangers history, comes to New York after seven years with the Detroit Red Wings where he served as chief scout and general manager. He is the son of former NHL star Phil Esposito.

One of Smith's first tasks will be to name a coach. Former Islanders coach Terry Simpson, ex-Hartford coach Larry Pleau and former Winnipeg coach Tom Watt are said to be among those being considered.

For the Record

Jim Pugh, an unseeded American, defeated sixth-seeded Peter Lundgren of Sweden, 6-4, 4-6, 6-4, in the final of the Hall of Fame Tennis Championships in Newport, Rhode Island Sunday. (AP)

Bobby Rahal held off Emerson Fittipaldi to win the Marlboro Grand Prix auto race Sunday at the Meadowlands in East Rutherford, New Jersey. (AP)

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The Making of a Dupe

"Doesn't bother me," the president said, laughing. "Nothing in this job ever has."

What does a Japanese pitcher do when his arm hurts? He pitch-



the on-deck circle in his underwear and shower clogs. The fine anese unions, factories — how the whole place worked. That was

both sides make some basic changes."

normal life impossible for Venetians. As the exodus began Sunday, mounds of empty drink cans, food

[illegible]